A fair minimum wage for the EU workers from the local and regional perspective
This report was written by Paul Jeffrey, Haris Martinos and Herta Tödtling-Schönhofe (Metis GmbH)

It does not represent the official views of the European Committee of the Regions.
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<td>CA</td>
<td>Collective Agreement</td>
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<td>CoR</td>
<td>European Committee of the Regions</td>
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<td>EP</td>
<td>European Parliament</td>
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<td>EU</td>
<td>European Union</td>
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<td>Eurofound</td>
<td>European Foundation for the Improvement of Living and Working Conditions</td>
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<td>ILO</td>
<td>International Labour Organization</td>
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<td>IMF</td>
<td>International Monetary Fund</td>
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<td>LPC</td>
<td>Low Pay Commission</td>
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<td>LRAs</td>
<td>Local and Regional Authorities</td>
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<td>MW</td>
<td>Minimum wage</td>
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<td>NACE</td>
<td><em>Nomenclature statistique des activités économiques dans la Communauté européenne</em> (Statistical classification of economic activities in the European Communities)</td>
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<td>NAMA</td>
<td>National Accounts Main Aggregates</td>
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<td>NCBA</td>
<td>National Collective Bargaining Agreement</td>
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<td>NMW</td>
<td>National Minimum Wage</td>
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<td>PPS</td>
<td>Purchasing power standard</td>
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<td>RMW</td>
<td>Regional Minimum Wage</td>
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<tr>
<td>SEDEC</td>
<td>CoR Commission for Social Policy, Education, Employment, Research and Culture</td>
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<td>SMW</td>
<td>Statutory Minimum Wage</td>
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Summary

1. A report on a fair minimum wage for EU workers from the local and regional perspective

The primary objective of this study was to support the European Committee of the Regions (CoR) by providing an evidence base for their forthcoming Opinion on the European Commission’s initiative on minimum wages. Specifically, the study examined the local and regional dimension of minimum wages, an area only briefly covered in the current literature. The Commission’s initiative includes a proposed Directive which has as its focus the promotion of collective bargaining and the adequacy of statutory minimum wages.\(^1\) The research for the report was undertaken by Metis GmbH, conducted between December 2020 and February 2021 and comprising a literature review, data analysis, stakeholder interviews and case studies.

2. Minimum wages in the European Union

The concept of the ‘minimum wage’ (MW) dates back more than 40 years. It is designed to provide protection for the lowest-paid workers. All EU Member States have minimum wage policies, which in the majority of cases (21 Member States) involve a Statutory Minimum Wage (SMW), enforced by labour laws. In the remaining six Member States, minimum wages are the result of collective bargaining involving social partners. These vary in content and coverage by sectors, sub-sectors and professions/trades, often, but not always, setting minimum wage rates at the national level. There can be many Collective Agreements (CA) in a country. Austria, for example, has more than 850.

The Commission’s impact assessment – accompanying the proposed Directive – highlights the variance in approaches, including the setting of minimum wages. The Council of Europe defined a MW-to-national median /average wage ratio of 60 and 50% respectively but countries use diverse procedures and methodologies, including low pay commissions and other bodies, to help set the minimum wage and the extent of social partner involvement varies.

In a few Member States, a more sophisticated approach has been developed, the ‘living wage’ based on needs assessment (a ‘basket’ of goods and services), to ensure a socially acceptable standard of living for workers and their families. Ireland has a non-statutory ‘living wage’ set 20% higher than the national SMW, with variances calculated for Dublin, the other cities, towns and rural areas.

A further, partially related concept, is the ‘minimum income’ – generally directed

\(^1\) Directive on adequate minimum wages in the European Union. The proposal was published on 28 October 2020.
at the poorest communities – covering also individuals who are not working and therefore excluded from minimum wage protection. However, as our case studies show, there has been work (e.g. in Berlin and Barcelona) to create a link through conditions attached to the minimum income (e.g. training and job search) and to ensure those who graduate to paid employment are receiving a minimum wage.

The challenge of the Covid-19 pandemic and its aftermath with jobs lost, or at threat, is also a challenge for minimum wage policies, especially where employers cite rising costs against falling incomes. Commitments made before the pandemic to increase minimum wages, and especially SMW, have largely been honoured in 2020 and 2021. Nevertheless, there are several issues around the fairness and adequacy of minimum wages and the policies employed through SMW and CA:

- There are wide variations in MW between Member States, from EUR 2,142 in Luxembourg to EUR 312 in Bulgaria (monthly rates in 2020). There are though, significant differences in the cost base between Member States (the differences are less pronounced when the Purchasing Power Standard (PPS) is considered), whilst some of those states with the lowest actual rates have also seen the largest increases in MW in recent times (including the Baltic States and Slovakia).

- Minimum wage policies can but do not always consider other factors, important for workers, including job security and working conditions. The position seems to be better with CA, many of which have a wider remit than setting a MW.

- Minimum wages, unlike minimum income, do not generally take into account family size, access to social security payments including income support, or taxation contributions.

- Minimum wage policies can exclude non-standard forms of employment including the self-employed and platform workers, whose relative disadvantage in this respect has been accentuated by the pandemic (these groups can also be excluded from Covid-19 relief funds).

- Higher minimum wages can have adverse effects in terms of jobs and hours worked, as employers seek to contain costs. There is also some evidence of higher MW leading to more workers moving into informal work, with markedly less protection and security. The EU’s impact assessment provides counter-evidence concluding that job losses resulting from a higher MW are quite small.

- There is evidence of non-compliance, individuals on sub-minimum rates
(often younger workers), and deductions which can reduce the value of the MW (e.g. for food and accommodation).

- Some sectors have an over-representation in terms of minimum wage earners including tourism, agriculture, forestry and fishing; food processing and arts and entertainment.

- Minimum wages, for the most part do not consider regional variations in the cost of living.

3. The regional dimension of minimum wages

Statutory minimum wages are set nationally with very few exceptions (the Portuguese overseas territories of the Azores and Madeira, and the French overseas department of Mayotte). Some countries (including Lithuania) have considered, but rejected, differential rates and as of early 2021, it seemed that the Basque region in Spain might get powers to set a SMW, if its parliament agreed. Equally, many CA apply national rates across sectors, professions and trades, albeit with some opportunities for minor regional variations through bonus or productivity payments. There is relatively little challenge from local and regional authorities (LRAs) to this position, accepting that the legal competence resides at the national level and a view that ‘adequate’ MW can be addressed through social security and other measures. The EU initiative, which does not seek to set a common EU MW, supports the national level competences in setting MW.

At the same time, there are significant intra-country variations. This adds a regional dimension to minimum wage in terms of value and adequacy for regions with different socio-economic characteristics. The Commission’s impact assessment considered the distribution of MW workers and found that that workers in less densely populated regions stand a higher chance of being minimum wage earners. In our analysis, we compared average income levels with MW at PPS at sectoral level, and concluded the following:

- The key challenge lies in regions with high income levels (typically the capital city and metropolitan regions) where the MW – SMW or the relevant CA – may not be adequate to provide a decent standard of living and leads in turn to an increase in the ‘working poor’. In some regions, including Prague (Czech Republic) and Warsaw (Poland), the SMW represents only a quarter of the region’s average wage. This would argue for higher rates in these regions, a key debate in some Member States (e.g. in the Basque Region and Catalonia, where the regions’ own analysis has suggested a higher MW of c. EUR 1,200 per month is needed against Spain’s national minimum wage of EUR 900 (now increased to EUR 950).
• The MW may present challenges in regions with the lowest income levels, as enterprises may not be able to sufficiently raise the productivity levels to pay wages above the MW that allow for an adequate living. Again, there are certain sectors that are particularly affected (e.g. agriculture and tourism, especially concerning seasonal workers). The analysis shows that nearly one quarter of the EU population lives in regions, where the average wage is lower than double the MW. Here one could conclude that the remuneration may not provide a decent living and the risk of having ‘working poor’ is higher than in other regions. There is one caveat: the cost of living is also lower in these regions; but as there is no benchmark of a living wage nor regional price differences, it is not possible to judge if lower living costs make up for lower pay. Thus, the evidence that overall wage levels allow for a decent living is very weak.

• When considering sectors, the results are more differentiated. In agriculture, forestry and fishery there is a substantial number of regions where, according to Eurostat, the average compensation in the sector is even below the MW – and most of the regions are below the double of the MW. However, it is important to note that regions with low average pay differ between sectors (i.e. regions with low wage levels in agriculture are not the same as regions with low wage levels in sales and trade).

• One group of regions which need specific attention are border regions of Member States with high differences in national MW levels. This is the case for regions at the borders between DE and PL, CZ and AT with CZ, SK and HU. The minimum wages range around EUR 1,600 in DE and AT, and between EUR 450 for HU up to EUR 580 in SI and PL. Some of the regions have major commuting flows. In these border regions the differences in nominal wages matter, taking into account the different wage levels and cost of living between the border regions of different Member States. This might cause a downward pressure on wages in regions in AT and DE due to the availability of cheap and well-trained workers (for those sectors where there are no regional shortages and regional labour can be substituted), and upward trends in wages in the countries with low wage levels.
4. The role of local and regional authorities in setting, enforcing, promoting and monitoring minimum wages

Whilst LRAs play a relatively minor role in setting or enforcing minimum wages – with the autonomous regions of the Azores and Madeira standing out as an exception of regions exercising full powers to set a regional SMW – the case study work undertaken highlighted different ways authorities are involved.

The most significant involvement of LRAs in setting and enforcing minimum wages is as employers, acting collectively as part of CA, predominantly at national level. Moreover, in most territories, the LRAs are significant employers and can set and enforce MW for their employees, higher than the NMW. In the case of Berlin and Burgenland the State (Land) has set a legally enforceable MW covering its spheres of activity and influence, including those employed by the State administration. In addition, the Berlin law covers direct procurement and also associated partners, where the LRA has a financial stake or other involvement. LRAs using procurement to ensure contracts comply to MW rules seems to be relatively common place, subject to EU procurement legislation.

LRAs are generally well placed to link MW policies into complementary social inclusion measures and especially in cities where there often complementary policies targeted at the most disadvantaged. It is not uncommon for LRAs to operate minimum income schemes but less common to see these linked to MW policies. Berlin and Barcelona to some extent, do this through the Solidarity Basic Income Scheme and B-MINCOME (now completed) schemes respectively, although these examples are highly targeted actions designed to link select groups and households in receipt of minimum incomes with job search and skills support, and ideally jobs that pay a MW. Whilst there is a mainstreaming of pilot actions there is much more that could be done, especially when Covid-19 relief funds eventually cease.

LRAs are also well placed to target specific sectors in types of employment that are growing (including platform workers). Bologna is one example where digital platform workers have been supported (currently the focus is delivery riders) with a voluntary agreement for a higher MW combined with improved job security and working conditions. The actual numbers supported in this example are relatively small but there is scope to mainstream pilot actions and to repeat in other LRA areas.
5. Main conclusions and recommendations

The study research has led to overall conclusions, namely:

**The MW is not the solution for ensuring a decent living, but it is part of the solution** and offers many low paid workers protection. However, for the MW to be effective in achieving an upwards convergence towards average wages, economic and employment development is required to raise productivity, overall average wages (especially in low wage regions) and ensure that workers have the tools to access higher paid employment. Ultimately, it needs to be recognised that a whole host of other factors bear on minimum income available for decent living: including taxation and social security contributions; household size; number and earning capacity of wage earners; complementary income support and social security benefits.

**There are significant variations within Member States and between regions that result in imbalances and negate the good intentions of MW policies.** This is most evident in the extremes of high cost/high average income regions and low cost/low average income regions, which is also **reflected in a pronounced urban/rural divide.** In the former, the MW may be as little as a quarter of the regional average wage with workers disadvantaged by the relative PPS found in some regions and especially in capital cities. In the latter, the labour market is dominated by low income, low productivity enterprises with a downward pressure on wages and limited opportunities to move into higher paid jobs.

**LRAs have largely been absent from MW processes** and especially where the state sets, enforces and monitors a SMW, but there is **scope for a greater involvement for LRAs**, as major employers, as significant purchasers of local goods and services, as a source of data and intelligence, on regional variations and economic conditions (including for border regions), as deliverers of social inclusion policies and as agencies of change.

The conclusions of the study have led to a number of **recommendations**, including the following that focus on overcoming the inadequacy of universal NMW and harnessing the contribution of LRAs to a fair MW:

- The European Commission should undertake a full in-depth assessment of the territorial aspects of minimum wages.
- The wording of the proposed Directive (Article 6) should be clarified to provide for justified regional variations and add-ons to statutory minimum wages.
- Capacity building should be supported for CAs – social partners and LRAs – targeting funding support from the ESF, as appropriate.
- The CoR should encourage and support the gathering, sharing and take up of good practices in LRA involvement in MW.
- The LRAs should:
  - Conduct labour market assessments in support of wage transparency and social partners’ involvement in SMW and CAs.
  - Develop regional ‘living wage’ assessments as the basis for reference values on adequacy on minimum wages and minimum incomes.
  - Propose as appropriate (limited) add-ons to NMW in regions with high costs of living, or regional exceptions (e.g. border regions).
  - Assist and promote compliance, especially within their sphere of activity and influence.
  - Follow good practice in non-mandatory ‘preference’ and ‘enhanced MW’ clauses, in procurement and direct employment.
  - Promote voluntary agreements for particular sectors/occupations, such as new types of employment.
  - Monitoring key parameters, providing data, intelligence, evidence; feeding into all stages of MW process.
1 Introduction

1.1 Objectives of the study

This study has been carried out to serve the work on a ‘fair minimum wage for EU workers from the local and regional perspective’ carried out by the Commission for Social Policy, Education, Employment, Research and Culture (SEDEC) of the European Committee of the Regions (CoR). Its purpose is to inform the debate around the initiative of the European Commission on minimum wages which has included two stages of consultations with social partners, culminating in a proposal for a Directive on ‘Adequate Minimum Wages in the European Union’ (EU), published on 28 October 2020.

The key provisions of the proposed Directive concern the promotion of collective bargaining and the adequacy of statutory minimum wages. Under horizontal provisions it also covers public procurement and monitoring and data collection. The Directive does not propose a common minimum wage across the EU but does seek more consistency in the application of minimum wage policies to help ensure a greater coverage of the workforce, especially in those Member States which rely on collective bargaining, and to encourage the raising of statutory minimum wages given that “National statutory minimum wages are lower than 60% of the gross median wage and/or 50% of the gross average wage in almost all Member States. In 2018, the statutory minimum wage did not provide sufficient income for a single minimum-wage earner to reach the at-risk-of-poverty threshold in nine Member States”. However, no binding criterion is proposed for the assessment of adequacy of statutory minimum wages. Instead, the Directive envisages that every Member State should find its own definition of adequacy, using four groups of criteria relating to: the purchasing power of the minimum wage, the gross wage level, distribution and growth rate, and labour productivity developments.

The main objective of the present report is to identify key issues, challenges and opportunities for local and regional authorities (LRAs) in enforcing and promoting fair minimum wages. This includes setting minimum wage levels appropriate to the context of different local and regional territories within Member States.

The report was researched and elaborated by Metis GmbH between December 2020 and February 2021.
1.1 Methodology

The study methodology relied mostly on desk research covering studies, reports, resolutions and opinions of different EU institutions, as well as publications and websites of EU-level organisations and research centres operating in the field of social policy and employment. The publications of Eurofound have been particularly relevant in all stages of the study. A number of analyses have also been carried out using published Eurostat data.

The study also benefited from stakeholder consultations. The study team is indebted to the support provided by the network of Eurofound’s national contacts and all the stakeholders who contributed their insights. These have proved especially valuable in highlighting regional and local variations and relevant practices below the Member State level, of particular importance given that much of the literature and available data concentrate on the national level. We are also appreciative of the Eurocities’ support regarding information on their member cities with local minimum wage policies.

1.2 Structure of the report

The main report is structured in three parts:

- **Part 1: Concept and regional dimension of the minimum wage** – This part has two components. First, a brief discussion of minimum wage and related concepts, and their application across the EU including the background to the proposed Directive. Second, an overview of the regional dimension in setting the minimum wage, followed by an analysis of the regional differences in its relative value, adequacy and impact, based on available data at NUTS 2 level, with Eurostat as the main source.

- **Part 2: Enforcing, promoting and monitoring the minimum wage from a regional perspective** – This part considers the role that regions and cities play in the different stages of setting, enforcing, promoting and monitoring minimum wages. The central component of this part comprises case studies of six EU Member States, examining these issues at both national and sub-national level with a focus on innovative and exemplary practices by LRAs regarding minimum wages and related policies.

- **Part 3: Main conclusions and recommendations** – This part brings together the main findings of Parts 1 and 2, and presents conclusions and recommendations addressed to the EU and the Member States, as well as to the CoR and the LRAs.
Four *annexes* accompany the main report on: 1) Main sources of information; 2) Stakeholder consultations; 3) Summary of the European Commission’s proposals on minimum wage; and 4) Selected data on wage levels and regional characteristics at NUTS 2 level.
2 Part 1: Concept and regional dimension of minimum wage

2.1 Minimum wage in the EU: concept and approach

This section discusses the concept of minimum wage, the approaches adopted for setting minimum wages and the main variations across EU countries. It also reviews briefly the findings of research concerning the potential effects of minimum wages.

2.1.1 Minimum wage and related concepts and approaches

The concept of ‘minimum wage’

The minimum wage (MW) is the lowest amount of remuneration that an employer is required to pay an employee for work performed during a given period. This is a long-established way of “providing protection against unduly low wages” as defined by the ILO as far back as 1970 and earlier conventions.\(^3\)

Minimum wage protection is provided in all Member States of the European Union falling into two broad categories:

- **collective agreements (CA)** in the case of Austria, Cyprus,\(^4\) Denmark, Finland, Italy and Sweden;
- **statutory minimum wages (SMW) set by legislation** in the case of the other 21 Member States.

In general terms, statutory minimum wages apply universally in a country, while in the case of the countries offering wage protection through collective agreements, the lowest wages are set by sector and/or occupation. In all Member States with statutory national minimum wages, collective agreements set wages above the statutory minimum wages in a number of sectors.\(^5\)

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3. ILO (1970), Minimum Wage Fixing Convention (No.131) [Convention C131 ilo.org](http://www.ilo.org)
4. Cyprus has also statutory minimum wages covering some low-wage occupations.
5. COM (2020c), p 2
The concept of ‘fair’ or ‘decent’ or ‘adequate’ minimum wage

The debate in the EU is on ensuring ‘fair’ or ‘decent’ or ‘adequate’ minimum wages and goes back to the 1990s when the EU discussed the implementation of the EU Charter of the Fundamental Social Rights of Workers of December 1989, according to which all workers in the EU “shall be assured of an equitable wage, that is, a wage sufficient to enable them to have a decent standard of living”. In its current form it is a reflection of concerns that “in recent decades, low wages have not kept up with other wages in many Member States, thus affecting in-work poverty, wage inequality, and the capacity of low-wage earners to cope with economic distress”.

Defining and operationalising such a broader concept of minimum wage presents considerable challenges. In its proposals the Commission has defined the problem as ‘insufficient adequacy’ and has adopted two criteria of adequacy, considering minimum wages to be adequate when they are fair vis-à-vis the wages of other workers and provide a decent standard of living, taking into account general economic conditions in the country. It has also presented indicators to allow for an assessment of adequacy of minimum wages:

- the aspect of fairness in comparison to other wages is operationalised by the ratio of the gross minimum wage to the gross median wage as well as to the gross average wage;

- the aspect of providing a decent living standard is operationalised by the ratio of the net income of minimum wage earners to the poverty threshold, as well as to the net average wage.

The former, regarding ‘fairness’ (wage inequalities), is relatively simpler to operationalise through minimum wage-to-average/median wage ratios, and there are commonly used reference values, defined by the Council of Europe, namely, that wages should be at least 60% of national average net earnings, with a secondary target of 50% of median income. The latter (decent living standard) is much more complicated as it involves net wages and net income, set against costs of living, as well as number of wage earners and family size. Moreover, in both cases, there are regional variations in wage levels and living costs to take into account (see Section 2.3).

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7 COM (2020c), p 1.


9 Eurofound (2020b), Minimum wages in 2020: Annual review, p 37 & COM (2020cIA), Graph A8.4.
Hence, a related but distinct concept, the ‘living wage’, is used in some countries in pursuing the definition and operationalisation of a ‘decent’ or ‘adequate’ wage. The key method of determining living wages is a basket of goods and services required to ensure a basic but socially acceptable standard of living for workers and their family.\textsuperscript{10} A few European countries – Ireland, Romania, Slovenia as well as the UK\textsuperscript{11} – relate the value of statutory minimum wages to a certain basket of goods and services.\textsuperscript{12}

Minimum wages cannot ensure by themselves a decent living for workers and their families\textsuperscript{13}, especially in the context of growing in-work poverty.\textsuperscript{14} Various other factors come into play among which the most important are:

- household size, and number and earning capacity of wage earners;
- taxation and social security contributions;
- complementary income support and social security benefits.

A further limitation of the minimum wage concepts is that they do not normally cover self-employed workers since they are not wage-earning employees and could also fail to capture some non-standard forms of employment\textsuperscript{15}, as well as informal or undeclared work.

Hence the growing importance attached in several countries to take-home pay and \textbf{net minimum wages}.\textsuperscript{16} Taking this further, various \textbf{minimum income} schemes have been advocated\textsuperscript{17} as a way of ensuring that all economically active people, irrespective of their employment status are provided with sufficient income for a decent living, reflecting Principle 14 of the European Pillar of Social Rights.\textsuperscript{18}

\textsuperscript{10} Eurofound (2018), Concept and practice of a living wage.
\textsuperscript{11} The statutory minimum wage, full adult rate in the UK has been renamed the ‘national living wage’. This is distinct from the UK living wage, a higher rate calculated by the Living Wage Foundation, which is applied voluntarily by participating companies. (Eurofound (2020b), p 38).
\textsuperscript{12} Eurofound (2020b), p 67.
\textsuperscript{13} Eurofound (2020a): What Europe can learn from living-wage campaigns.
\textsuperscript{14} COM (2020cIA), p 143 & Graph A8.3.
\textsuperscript{15} New forms of employment, e.g. casual, platform or ICT-based mobile work (Eurofound (2020b), p 50).
\textsuperscript{16} Eurofound (2020b), p 40.
\textsuperscript{18} “Minimum income: Everyone lacking sufficient resources has the right to adequate minimum income benefits ensuring a life in dignity at all stages of life, and effective access to enabling goods and services. For those who can work, minimum income benefits should be combined with incentives to (re)integrate into the labour market.”

15
**Institutional arrangements and processes for setting minimum wages**

Determining the level of minimum wages is a complex process. Six criteria suggested by the ILO’s Minimum Wage Fixing Recommendation, 1970 (No. 135) in setting the level of the minimum wage are:\(^{19}\)

- the needs of workers and their families;
- the general level of wages in the country;
- the cost of living and changes therein;
- social security benefits;
- the relative living standards of other social groups;
- economic factors, including the requirements of economic development, levels of productivity and the desirability of attaining and maintaining a high level of employment.

Experience and practices in EU Member States vary considerably. Although several EU Member States have a long tradition of ensuring a national minimum wage for their lowest paid workers, in some cases through collective agreements as in Scandinavia, there is a large group of countries that have only recently introduced minimum wage legislation. This group includes Germany and many of the countries that joined the EU since 2004.\(^{20}\)

A detailed account of different arrangements country-by-country has been provided in Eurofound’s ‘Minimum Wages in 2020: Annual Review’.\(^{21}\) Their consideration revolves around the question of the scope of the minimum wage, its level, the procedures and criteria for its periodic adjustment and the involvement of trade union and employer organisations.\(^{22}\) This enormous diversity of the current arrangements for setting national minimum wage levels in the EU is summarised in the following table.

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\(^{19}\) Eurofound (2020b), p 10, Box 2.

\(^{20}\) EPRS (2020a), Fair minimum wages in the EU, p 2.

\(^{21}\) Eurofound (2020b), Chapter 3.

\(^{22}\) EPRS (2020a), p 7.
Table 1. The role of the government, social partners and other actors in statutory minimum wage setting systems

<table>
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<tr>
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<th>Institutionalised decisions</th>
<th>Non-institutionalised decisions</th>
<th>Minimum wage setting relying on collective bargaining</th>
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<td>Gov’t following the recommendation of MW specialised body</td>
<td>Gov’t following bilateral/tripartite consultations process</td>
<td>Gov’t following a tripartite decision-making process</td>
<td>Gov’t extends collective agreements by legislation</td>
</tr>
<tr>
<td>DE</td>
<td>BG</td>
<td>LT</td>
<td>BE</td>
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<tr>
<td>EL</td>
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<td>PL</td>
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<td>IE</td>
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<td>FR</td>
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<tr>
<td>UK</td>
<td>LV</td>
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<td></td>
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</tbody>
</table>

Source: COM (2020cIA) Staff Working Document and Impact Assessment, p 127, Table A6.1

Statutory minimum wage setting arrangements ultimately involve legislation. The processes they rely upon, up to that stage, fall into one of the following categories:

- tripartite or bipartite consultations or, in a few cases, negotiations (BE, EE);
- expert committee led processes, with various degrees of social partner involvement (e.g. HR, IE, EL);
- rule-based mechanisms (DE, NL, LU, MT); and,
- rarely, unilateral government decisions (SI, CY).

Regarding minimum wage setting based on collective agreements, these are agreements negotiated between employer and employees’ organisations at national level, usually cascading to regional or local agreements, down to company level and to individual work contracts.

A key common characteristic is the very large number of collective agreements covering sectors and occupations, e.g. around 860 in Austria. These agreements are not only about setting the lowest pay rates but cover different pay levels according to age, qualifications and experience, as well as many other aspects of working conditions, e.g. home workplaces (teleworking), extra hours, holidays. For instance, in the case of Sweden there are some 700 collective agreements of which only 250 deal with pay. In another example, in Denmark, the social partners also establish joint projects and funds, on innovation, training etc through collective agreements.

Overall, there is a large variety of minimum wage practices across the EU with considerable gaps in terms of coverage, adequacy to ensure decent living, updating

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23 Eurofound (2020b), Chapter 3, Fig 11.
24 Ibid.
(often not going beyond the compensation of inflation)\textsuperscript{25} and a lack of accounting for regional disparities in living costs\textsuperscript{26} (see section 2.2). Further differences concern important underlying factors, such as the bargaining coverage among the low paid in the case of systems relying exclusively or to a large extent on bipartite negotiations.\textsuperscript{27}

2.1.2 Minimum wages in EU countries

This sub-section considers variations across countries on different aspects of the MW, including the nominal rates of MW, their cost-of-living value and their shares among wage earners in different countries, sectors and occupations. Regional variations within Member States are considered in Section 2.3.

Levels of nominal and ‘real’ minimum wages

Nominal statutory minimum wages vary greatly in the EU. In 2020, as in previous years, Luxembourg had the highest gross minimum wage in 2020 at EUR 2,142 per month, followed by Ireland and the Netherlands at EUR 1,707 and EUR 1,654, respectively. At the other end of the spectrum, rates in Romania (EUR 466), Latvia (EUR 430) and Bulgaria (EUR 312) were the lowest minimum in the EU. In 2020, the ratio of the highest to the lowest statutory minimum wages was nearly seven to one, and the median stood at EUR 740 (represented by Portugal).\textsuperscript{28}

Taking into account the differences in price levels between Member States, expressed in PPS (Purchasing Power Standard), the difference between the highest and lowest statutory minimum wages is less pronounced, about three to one. Again, Luxembourg had the highest rate at 1,634, this time followed by Germany and the Netherlands at 1,484 and 1,443 (PPS per month). Latvia had the lowest rate in the EU at 547, with Bulgaria having the second lowest at 590, followed by Estonia at 686 (PPS per month).\textsuperscript{29}

Wages set in collective agreements for low-paid occupations in countries relying on collective bargaining are comparatively high when compared to statutory minimum wages in other countries.\textsuperscript{30}

A comparison of nominal and ‘real’ minimum wages is presented in the following figure and maps.

\textsuperscript{25} COM (2020c1A), Table A6.2.
\textsuperscript{26} EP (2020a), Briefing: Fair minimum wages for Europe, September 2020.
\textsuperscript{27} Eurofound (2020b), pp 49-50.
\textsuperscript{28} Eurofound (2020b), Table 3.
\textsuperscript{29} EPRS (2020b), Minimum wage in the EU, Table 2, p 5.
\textsuperscript{30} COM (2020c1A), p 148.
There has been a long-term upwards movement in minimum wages in the EU. The year-on-year increases in 2019-2020 ranged from 17% in Poland (from EUR 523 to EUR 611 monthly) to 1.2% in France (from EUR 1,521 to EUR 1,539), and no change in Latvia (EUR 430), with the median minimum wage increase standing at 8.4%.\(^{31}\)

An analysis of the longer-term change, taking into account differences in price levels and purchasing power\(^{32}\), confirms this long-term upward trend. It shows that, in the period 2010-2020, euro-zone countries with relatively low real minimum

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\(^{31}\) Eurofound (2020b), Table 3, p. 15.

\(^{32}\) Ibid, p. 21 (using Eurostat’s Harmonised Indices of Consumer Prices (HICP) and PPS.)
wages in 2010 (Estonia, Latvia, Lithuania, and Slovakia) saw increases above 40% between 2010 and 2020. Among non-euro countries, the largest increases (in real wages) occurred in Romania and Bulgaria, reaching 188 and 126 index points compared to 2010, respectively.33

**Minimum wages vs average and median wages**

Various comparisons have also been conducted of the minimum wage against national wages, reflecting the standard of ‘decent living’ defined by the Council of Europe, namely, that net minimum wages should be at least 60% of national average net earnings, with a secondary target of 50% of the median income.34 In statistical terms, this is measured by the Kaitz index, which relates minimum wages of full-time workers to the average or median wages in the same country (or region).35

A snapshot of the position across the EU is provided in Figure 2, below. It shows that in 2019, in almost all Member States, the statutory minimum wage was below 60% of the median wage and 50% of the average wage, with only the statutory minimum wage of Portugal reaching both values. The statutory minimum wage was below 50% of the median wage in nine EU countries (Estonia, Malta, Ireland, Czech Republic, Latvia, Germany, the Netherlands, Croatia and Greece). Moreover, seven countries (Estonia, Malta, Ireland, Czech Republic, Latvia, Hungary and Romania) had minimum wages below 40% of the average wage. As already noted, in Member States where minimum wage protection is provided by collective agreements, wages set in collective agreements for low-paid occupations are generally high when compared to statutory minimum wages in other countries, with the exception of Italy.36

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33 Ibid., Fig 7, p 22 (calculations using PPS).
34 EPRS (2020b), pp 5-6 & Eurofound (2020b), p 37.
35 The median wage is often quoted as being the preferred measure as it is less sensitive to outliers in the wage distribution (such as workers with very high earnings). In the EU, the Kaitz index for median wages is above the index for average wages, as average wages are higher than median wages. Within the Kaitz index median and average wages are strongly correlated with each other, however, this degree of correlation has diminished over time (from 0.98 in 2000 to 0.85 in 2018), meaning that in some countries the wage distribution has become more unequal. (Eurofound (2020b), p 37).
36 COM (2020c1A), p 4.
The longer-term trend for countries with statutory minimum wages since 2000 has been upwards, representing fairer minimum wages in comparison to other workers’ earnings. In the median Member State this relative share grew by seven percentage points during 2000–2018. For this period, the largest growth of the relative value of minimum to median wages was recorded in Romania (from 25% to 58%), followed by Portugal (from 46% to 61%) and Hungary (from 36% to 52%). Conversely, minimum wage workers in Ireland, the Netherlands and Belgium saw the value of their wages decline when compared to other workers (the largest drop being in Ireland with minus 20 percentage points).  

**Degree of coverage of the population**

The share of workers earning around the minimum wage varies widely across EU countries. At the highest end, it stands at 20% or more in Romania, Portugal and Hungary and 17% in Poland. At the lowest end, it is about 3% in Sweden, Belgium, Denmark and the Netherlands. The EU average is estimated at 9%. Women are the majority of minimum wage earners at 58.5%. This is a much higher proportion than in the total workforce which is composed of 48.8% female and 51.2% male individuals.

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38 90% to 110% of the minimum wage.
39 Eurofound (2020b), Fig 2, p 13 (2017 data).
40 Ibid, Fig 3, p 13.
**Sector and Occupation**

There are also major variations by sector. At EU level, the highest proportions of minimum wage workers are in accommodation and food service activities (16%) and agriculture, forestry and fishing (15%), followed by arts, entertainment and recreation (14%) and wholesale retail (13%). At country level they differ considerably. For example, in Portugal and Hungary the proportion of minimum wage workers in accommodation and food service activities are estimated to be close to 30%.41

Similarly, the shares of minimum wage workers vary by occupation. The largest proportions are estimated to be around 25% of all workers in food preparation assistants, street and related sales and service workers, and cleaners and helpers.42

**Sub-minimal rates and compliance variations**

There are other variations which are common across countries. Known as ‘sub-minimal’ rates, in most cases they are related to the age, qualifications and experience of workers, and apply typically to young workers and those at the beginning of their professional life, such as apprentices and trainees. There are some other, much less common, categories such as disabled workers (Portugal). These country variations are explicit and well documented.43 For instance, the share of workers affected by youth variations is very small, except in the Netherlands (8%) and Luxembourg (2%).

Another broad category of variations, arises from deductions or non-compliance and is much more difficult to quantify. Deductions from the minimum wage exist in all the Member States with statutory minimum wages, some of which are provided by law.44 Surveys have found that non-compliance appears to be a significant phenomenon in almost all countries.45 For instance, it has been estimated that, in Italy, more than 10% of workers are paid below the wage set by the relevant collective agreement with an average shortfall of 20-23%.46 Increasing minimum wage levels may lead to a higher risk of non-compliance, including undeclared work. For example, in the UK, the government raised substantially the minimum wage for the over-25 (re-branded as the ‘National

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41 Ibid, Fig 4, p 13.
42 Ibid, Fig 5, p 13.
44 For instance, in Lithuania, in the case of a minimum wage workers, deductions can be made up to 20% of wages for the compensation of damage (in some cases 50%) and in Poland, 75% of the salary is free from deductions (or 90% after reductions due to penalties). Other deductions could involve the value of the equipment needed to perform the work from the minimum wage, or the cost of travel, subsistence and accommodation, that reduces the actual financial remuneration of workers. (COM (2020cIA), p 17).
45 COM (2020cIA), p 17.
46 Ibid, Annex A9.5 5.
Living Wage’) since 2016, but enforcement proved underfunded and the penalties low. This was accompanied by an increase in the proportion of workers aged over 25 paid less than the minimum, from an estimated 20% in 2016 to 29% in 2019. Moreover, employers can resort to adjustments to contracts and practices to strip out other labour costs to accommodate higher wage costs. Examples include, cutting overtime payments and weekend premiums and switching to less onerous types of contracts (e.g. greater use of zero-hours contracts).

2.1.3 Potential impact of minimum wages

Assessment of the impact of the proposed Directive

The Impact Assessment that accompanies the proposed Directive has covered a wide spectrum of potential effects of increasing minimum wage levels on economic and social outcomes, although not sufficiently in terms of territorial impacts – see Section 2.3.

Regarding the impact on the total wage bill, the estimates suggest that minimum wage increases to the level of the highest reference values (60% of the median wage or 50% of the average) would imply increases in overall wages of about 1% at EU level and only about 0.2% with all statutory minimum wages at 50% of the median wage. It also stresses that the weight of the evidence suggests any job losses induced by minimum wage increases at levels observed in advanced economies such as those of EU Member States are quite small. It thus concludes that the impact on employment and on unemployment is expected to be muted.

The Impact Assessment further estimates that a reduction of at least 10% in wage inequality would be observed in 12 Member States if the minimum wages were raised to 60% of the median wage. This inequality reduction is mainly due to the increase of the minimum wage level and the number of workers affected by the increase.

Regarding in-work poverty, it estimates that eight EU countries would witness a reduction by more than 20% should they increase their statutory minimum wage to a reference value of 60% of the median gross wage or 50% of the average. The

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47 Financial Times article and original sources: [https://www.prospectmagazine.co.uk/magazine/a-minimum-wage-is-pointless-if-we-dont-enforce-it](https://www.prospectmagazine.co.uk/magazine/a-minimum-wage-is-pointless-if-we-dont-enforce-it)
48 Ibid.
49 Through a microsimulation exercise has been conducted using the Euromod model (COM (2020c1A), Chapter 6 & Annex 12).
50 COM (2020c1A), p 186.
51 Ibid, p 46.
52 Czech Republic, Germany, Estonia, Spain, Ireland, Luxembourg, Latvia, Malta, Poland, Romania, Slovenia and Slovakia.
53 COM (2020c1A), p 190.
most significant reductions in in-work poverty are expected to be observed in Estonia, Greece and Romania (a decline of more than two percentage points) and steeper decreases in other countries, albeit from a lower baseline.\(^{54}\) However, in some countries such as Slovenia and the Netherlands, minimum wage increases are not estimated to lead to lower in-work poverty due to increased taxes and/or reduced means-tested benefits for some beneficiary households.

The estimates also show that the reduction in the gender pay gap is significant in a large majority of countries according to the simulated increases of minimum wage levels, including in some EU countries where the gap in average wages between men and women is high (e.g. Czech Republic, Latvia, Germany).\(^{55}\)

*Effects of minimum wages: findings from research*

Although several studies and research have covered various aspects of the possible effects of the introduction and the increase or decrease in minimum wages, they tend to have a specific focus and it is very difficult to bring them together and provide a comprehensive overview. A recent overview of findings from research, part of a European Parliament Briefing,\(^{56}\) has highlighted a number of relevant points supporting or qualifying the findings of the Impact Assessment of the Commission, as summarised below.

Regarding employment effects, a comprehensive review of studies by the ILO points to inconsistent results for high-income countries and to results which are too small to be observable in aggregate employment or unemployment statistics. The latest research by Eurofound has also confirmed relatively small employment effects.\(^{57}\) In general, debates on employment effects tend to be controversial, with different economic theories leading to different predictions.

According to a simulation by the International Monetary Fund\(^{58}\) (IMF), a hypothetical European minimum wage set at 60% of each country's median wage would reduce in-work poverty. However, it would have limited effect on overall poverty since many poor households have wage earnings near the minimum wage and due to off-setting effects, such as the loss of means-tested benefits.

In a recent study, the European Social Policy Network\(^{59}\) pointed to the role of complementary public policies such as a minimum wage can protect one single

\(^{54}\) Up to 20% in Germany, Hungary and Luxembourg.
\(^{55}\) COM (2020c1A), Graph A12.7.
\(^{57}\) Ibid.
\(^{59}\) Eurofound (2020b), p 67.
adult person against the risk of poverty, but is often not enough to support a whole family or household. This highlights the importance of a broader institutional framework in determining the chance for decent living. It includes a national constellation of factors such as tax rates, the level of social protection, housing and family allowances as well as fees for childcare, education or health care.

The extent to which minimum wage increases translate into less aggregate wage inequality for all workers depends on the proportion of minimum wage earners in employment and the magnitude of the increase. The introduction of a minimum wage in Germany in 2015 and robust increases in Hungary and Poland point to a reduction in inequality.\(^{60}\)

**Regarding the effects on wage disparities across Europe**, the IMF estimates that wage differentials in the Single Market would not decrease by a relative harmonisation across countries. If 60% of the median wage is used as reference, it could widen the distance between nominal minimum wages across Europe as relatively higher income Member States (e.g. Germany, Belgium, Ireland, Netherlands and Luxembourg) would have to significantly increase their minimum wage levels. Even if some relatively lower income countries in Eastern and Central Europe would also need to increase minimum wage levels, the nominal increase would be much lower given lower wage levels.\(^{61}\)

Overall, the debate on the effects of higher minimum wages on the economy and employment situation remains inconclusive, largely due to the large number of parameters affecting the final outcomes. This also underlines the need for monitoring and detailed analysis, including by means of greater use of impact assessment tools. This would be valuable in order to prevent negative consequences and demonstrate the added value of EU action.

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\(^{60}\) *Ibid*, p 57.

Covid-19 and the minimum wage

The pandemic which took hold of Europe early in 2020 and continues into 2021 has had a serious impact on all labour markets, with more to come when restrictions are lifted, emergency support comes to an end and businesses strive to return to a sense of normality. Not all businesses will survive and many of the jobs that existed pre-pandemic will disappear, change irrevocably or will require new skills. Many commentators have remarked that the digital revolution has advanced ahead of its expected trajectory, favouring the IT literate, and those with access to reliable IT equipment (including phones and laptops) and reliable internet connection. Immediately, it can be seen that those in certain sectors, including retail and hospitality, have been most adversely affected. In general, these tend to be the lower skilled and lower paid. The ILO\textsuperscript{62} has also shown that women have been disproportionately affected, whilst in low and middle income countries with a tradition in informal work, income gaps can increase and the potential to reduce inequalities, through compliance with the minimum wage, is less. The ILO highlights that lower paid workers in the EU 27 have been hit hardest by the crisis, also losing more hours than high-paid professionals.

The concern is that worse is to follow, with the ILO stating that “\textit{In the near future, the economic and employment consequences of the Covid-19 crisis are likely to exert massive downward pressure on workers’ wages}”. Most countries have employed a system of protection through emergency funds which have maintained incomes, or at least a large proportion, during the pandemic. The Covid-19 crisis has added urgency to policies for income stabilisation through a policy mix of safeguarding wages and adequate minimum income schemes. In this context minimum wages are an important element in a policy mix for income stabilisation to cope with the Covid-19 effects.\textsuperscript{63} The expectation is that many more jobs will be lost and that businesses will be forced to close increasing employment levels significantly. Some of those protected by the minimum wage, whether SMW or through CAs, may have to suffice with minimum income levels determined by the national and LRA policies towards benefits. A shift towards more informal working, without the protection of the MW and associated measures, is likely in some Member States.

At the same time, most Member States have maintained and improved their MW policies despite some opposition from employer organisations, concerned at rising costs alongside falling profits. The study consultations have noted concerns expressed by employer organisations that the proposed Directive, if adopted, would be pushing up wages at the time of the post-Covid-19 recovery, making it even more difficult to maintain employment and integrate vulnerable groups into the


labour market. The challenge is highlighted by Eurofound64 “The dilemma for policy makers - how to keep the purchasing power of the lowest paid high and ensure the adequacy of their pay, while safeguarding jobs and businesses, was aggravated and made more urgent during the Covid-19 crisis”.

In respect of the SMW, all but four out of 21 countries increased the MW for 2021 and only two specifically froze the minimum wage (Estonia and Greece), having agreed to do so before the pandemic. In many cases, countries have honoured previous commitments and promises. The most significant increase has been seen in Latvia (16.3%), admittedly from a low base, relative to EU 27, honouring commitments made in 2017. Slovenia has seen the second largest increase (8.9%). In this case the rise is directly linked to the changes in 2018 to the Minimum Wage Act. This made a commitment that the SMW should exceed the minimum cost of living by 20% to 40%. As a result of the pandemic, Slovenia opted for the lower figure in the range and had agreed to partially reimburse employers for a six-month period. Poland, Slovakia, Bulgaria, Lithuania. Portugal, Croatia and the Czech Republic, all announced an increase in the SMW greater than 4%, sometimes just below and occasionally above pre-pandemic commitments. In the case of Hungary an increase of 4% was set but with a proviso to review and potentially increase to 5% later in 2021.

Eurofound concluded that those countries that used formula and indexed-linked based approaches faced relatively little controversy in setting an increased SMW, whereas other countries have had protracted discussions with employers and social partners and have not always come to agreement. In those cases, the state has set a SMW unilaterally.

It could be argued that in a time of such an unprecedented crisis a legally enforceable SMW is a vital tool in protecting fair wages and social inclusion. Indeed, the Commission’s initiative, proposing a directive, was launched in the context of the initial stages of the pandemic.65 Some proponents of the directive favoured a ‘European minimum wage’ as a tool to ensure that all workers earn a decent living and to help address income and gender inequality and in-work poverty. As a result, some of the contributions to the debate, so far, have sought to broaden discussions to cover associated policies, alongside the MW, that contribute to fair and adequate household incomes, an approach pursued by some LRAs as shown in some of the case studies (see Part 2).

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64 Eurofound (2021), Minimum Wages in 2021: Most countries settle for cautious increase, 3 February 2021.
Finally, Eurofound has stressed its commitment to monitor developments and “support the dialogue between management and labour”.\(^66\) Eurofound is conducting the third stage of its online survey monitoring the impact of Covid-19 on living and working conditions.

2.2 The regional dimension of setting minimum wages

This section focuses on regional rates of minimum wage. It also addresses the involvement of local and regional authorities in setting minimum wages at national or sub-national level. The role of LRAs is further considered in the case studies of Part 2.

2.2.1 Regional minimum wages

Statutory minimum wages throughout the EU are set through national-level institutional arrangements and procedures and culminate in a universal rate of minimum wage for all regions of a Member State. There are very few exceptions. To date, the only countries with regionally differentiated statutory minimum wages are Portugal and France. In Portugal different rates apply to the autonomous regions of the Azores and Madeira, while in France this is the case only for the overseas department of Mayotte. The applicable rates in 2020 are shown in Table 2, below. In the case of the Azores the minimum wage was 5% higher than the national Portuguese minimum wage. The rate was higher also for Madeira (2.5%). In the case of Mayotte the rate was significantly lower than for the rest of France.

<table>
<thead>
<tr>
<th>Country</th>
<th>Region</th>
<th>Rate per month</th>
<th>Percentage of basic rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>France</td>
<td>Department of Mayotte</td>
<td>€1,161.77</td>
<td>75.5</td>
</tr>
<tr>
<td>Portugal</td>
<td>Autonomous Region of Madeira</td>
<td>€650.88</td>
<td>102.5</td>
</tr>
<tr>
<td></td>
<td>Autonomous Region of the Azores</td>
<td>€666.75</td>
<td>105</td>
</tr>
</tbody>
</table>

Source: Eurofound (2020b), Minimum wages in 2020: Annual review, p 44
Note: Monthly rates converted to correspond to 12 payments p.a.

There are instances, where a regional differentiation of MW has been proposed by the regional level. Some regional governments, Burgenland in Austria, have opted for a higher minimum wage, starting within their own sphere as regional public sector employer, but with the idea that these increases should spill over to private sector enterprises.\(^67\)

According to Eurofound, the inadequacy of universal national rates to take into account the different costs of living, has been taken up in some countries in the

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\(^{67}\) Eurofound (2020b), p 41.
policy discourse (e.g. France, Italy, Lithuania and Spain). However, MW setting is unquestionably an almost exclusively national-level process and is likely to remain so in the future. All parties concerned – governments and social partners – engage at national level and the MW rates are set at that level. This is fully respected in the Directive proposed by the European Commission. Indeed, it should be noted that Article 6 contains specific provisions seeking, generally, to limit variations and deductions and, unless clarified in the final text, may also be taken to cover regional variations.

The reasons for this widespread aversion to regionalised MW seem to be a reflection of the prevailing institutional arrangements and processes for setting the MW, and an implicit acceptance that ‘adequacy’ issues could (and should) be addressed through other complementary means, notably taxation and social security support, rather than exclusively through MW. The availability of legal powers in the field of MW and willingness to exercise them are also crucial factors, as underlined by the exception of the Portuguese autonomous regions of the Azores and Madeira (see also case study, Chapter 3). Some additional regions expect to get such powers, e.g. in Spain, including autonomy to set the MW, but whether this is exercised is a different matter is difficult to predict.

### 2.2.2 The involvement of LRAs in setting minimum wages at national and sub-national level

In countries where MW setting is based on collective agreements, the LRAs play a role as major employers and social partners. The LRAs, represented by their national associations, are major employers and as such play a big role in collective bargaining and the collective agreements’ system at national level. The study consultations have pointed out that in this context the LRAs act like any other employer and are not the ones who bring considerations of adequacy (of the MW for a decent living) to the table. This is more likely to be done by the trade unions.

In this system, there is scope for differentiated minimum wages, at regional, local and company level, above the nationally agreed pay levels which define a ‘floor’ for the lowest pay. There are no published statistics or research studies to measure the degree to which the hundreds of collective agreements are differentiated at sub-national level. However, the study consultations have established that this happens to a small extent in countries like Denmark and Sweden. In Austria, regional wage setting has been largely abandoned over the years.

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69 “Member States may allow different rates of statutory minimum wage for specific groups of workers. Member States shall keep these variations to a minimum, and ensure that any variation is non-discriminatory, proportionate, limited in time if relevant, and objectively and reasonably justified by a legitimate aim.”
However, the overall high level of MW established through collective agreements, especially in Scandinavian countries,\textsuperscript{70} tends to be sufficient to address regional variations in the cost of living, and together with a robust system of social welfare support, takes care of ‘decent living’ issues. The very high percentage of workers covered by collective agreements (e.g. 90\% in Sweden) is highlighted as one of the factors contributing to the success of this system for setting minimum wages, and the ongoing and consensual engagement of both sides, unions and employers.

The benefits of this model, in which the LRAs play an important role as employers, extend well beyond the pay-setting stages, covering compliance and monitoring, as well as responsiveness to economic and employment issues, for instance in connection with innovation, up-skilling and re-skilling. Indeed, a wide range of positive macroeconomic outcomes have been pointed out as flowing from a model based on negotiated wages and collective agreements, including the creation of a long-term stable framework for developing the economy, firms’ competitiveness and workers’ conditions, high employment rates, long-term growth in real wages, and low numbers of days lost due to industrial action.\textsuperscript{71}

The LRAs also have opportunities to play a role as employers in countries setting statutory minimum wages through bipartite negotiations (BE, EE) or consultations (HU, LV, ES, BG, CZ, LT, PL, SK, RO), though these are lesser than in countries relying on CAs. Such involvement, is normally at national (‘peak’) level.\textsuperscript{72}

\textbf{2.3 Regional differences in adequacy and impact of minimum wages}

This section considers the regional dimension of minimum wage in terms of value and adequacy for regions with different socio-economic characteristics, as well as potential impact. In view of regional data constraints, it relies mainly on analyses of published Eurostat data, supplemented by other sources, e.g. Eurofound. The analyses presented below cover variations in GDP, wages and minimum wages by region and sector.
2.3.1 Territorial disparities

Although there are data limitations, an analysis by Eurofound shows high intra-country differences in the share of minimum wage workers in several Member States, mainly between the capital region and other, mostly less developed regions. For instance, in the Czech Republic the share of minimum wage workers ranges from 1.2% in Prague to 6.7% in central Moravia and in Hungary from 14.7% in central Hungary, including Budapest, and 21.9% in the Great Plain and North Hungary. Such differences need to be taken into account when setting minimum wages and when estimating the impact of an increase or decrease in the MW rate on employees and on businesses.73

The European Commission’s calculations, in the Impact Assessment accompanying the proposed Directive, cover all Member States but use a broad categorisation of regions into ‘densely populated’, ‘intermediate’ and ‘thinly populated’ regions and do not delve into a finer analysis – see Figure 3 and Figure 4, below. They show that the regional distribution of minimum wage workers varies across countries and that workers in less densely populated regions stand a higher chance of being minimum wage earners.

Figure 3. The share of minimum wage earners among all workers, by regions of high, intermediate and low density, 201774

Source: European Commission calculations based on EU-SILC 2017. The classification of regions has been done based on the degree of urbanisation variable DEGURBA in the database.

73 Ibid, p 47, Fig 19.
74 COM (2020c1A), Graph A7.4.
Figure 4. Distribution of minimum wage earners across regions of high, intermediate and low density, 2017\textsuperscript{75}

Source: European Commission calculations based on EU-SILC 2017. The classification of regions has been done based on the degree of urbanisation variable DEGURBA in the database.

2.3.2 Regional disparities in GDP level

So far, the MW is a concept that is largely discussed at national level. However, working and living conditions vary, not only across EU Member States but also between regions. A first indicator for looking into disparities in working and income conditions is the GDP per capita in PPS, where national and regional disparities can be compared.

At national level, differences between the GDP per capita (in PPS)\textsuperscript{76} levels are wide.\textsuperscript{77} Disparities in GDP level are also pronounced within Member States, especially in Romania, Slovakia, Poland, France, Hungary, the Czech Republic and Hungary.\textsuperscript{78} Figure 5, below, shows the GDP per capita (in PPS, 2018) in the Member States and the variation between the NUTS 2 regions with the highest and the lowest GDP level (compared to the national average).

\textsuperscript{75} Ibid, Graph A7.5.
\textsuperscript{76} EUROSTAT data, 2018.
\textsuperscript{77} The Member States with the highest degree of divergence above the EU average are LU (263% of the EU 27 average), IE (190%) and NL (130%), while at the other end of the spectrum, below the EU average, the countries with the greatest divergence are BG (51%), HR (63%) and RO (66%). Overall, 24% of the EU population live in Member States with a GDP per capita level lower than 80% of the EU average and 29% in Member States with an income level of higher than 120% of the EU average.
\textsuperscript{78} To some degree this reflects the way NUTS 2 regions are defined at national level.
High levels of GDP per capita prevail in the metropolitan and capital regions. The regional disparities within a country are highest in newer Member States. In Bratislava, Bucharest, Warsaw, Prague and Budapest the GDP levels are at least double the national average. This implies that the costs of living are much higher. In general, these regions have higher average compensation and employment shares. Also, salary levels in low-wage sectors (wholesale and retail, services, arts, entertainment and recreation) are higher than the national average. As there are usually labour shortages (reflected in low unemployment rates), we can expect to have a co-existence of two extremes in compensation: jobs with high wages on the one hand and jobs paid at MW on the other. In the latter case the wage levels do not cover the living costs and the risk of ‘working poor’ is high. Table 5 in Annex 4 lists the regions that have GDP levels above 20% of the national averages and shows the average compensation for all employees and the shares of employment as compared to the national levels.

At the lower end are regions with very low levels of GDP per capita compared to the national average. Interestingly, these are not the regions with the lowest wage levels. On the contrary, average wage levels are in many cases much higher than the national averages. When looking at different sectors, it is only agriculture and construction where regional wage levels are in general at the lower end in regions with low GDP levels.

These disparities matter in quantitative terms. One quarter of the EU population lives in NUTS 2 with a GDP per capita below 80% of the national average and 18% in NUTS 2 regions that perform 20% or more above the national average. They reflect regional differences in purchasing power. Thus, when looking into implications of different relations between average wage and MW, the focus is on Member States with larger intra-country disparities. The Member States with the highest differences between GDP levels in NUTS 2, in descending order, are RO, SK, PL, FR, CZ, HU, BE, IT, BG, DE and IE).

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Figure 5. Level and disparities of GDP per capita in PPS between NUTS 2 regions in EU Member States, 2018

How to read the diagram: the dots highlight the average GDP per capita in PPS and the extensions of the bars show the distance from the highest to the lowest value of GDP per capita in NUTS 2 regions within a Member State. Thus, the longer the bar, the larger are the disparities between NUTS 2 within a Member State.

Source: EUROSTAT

There is a clear divide between urban and rural regions with the highest and lowest GDP levels. Figure 6 shows the national GDP per capita levels (in PPS, 2017), where the upper end of the bar is the value for urban regions and the lower for rural regions. The greatest differences between urban and rural areas are in SK (with a difference of EUR 34,700), RO (EUR 30,400) and HU (EUR 28,100). The smallest are in IT (EUR 4,100), ES (EUR 4,800) and NL (EUR 7,200) and PT (EUR 7,400). Overall, 40% of the population of EU 27 lives in predominantly urban regions, and 21% in predominantly rural regions.
Figure 6. Level and disparities of GDP per capita in PPS between urban and rural regions in EU Member States, 2017

Source: Own calculations on the basis of Eurostat. The regional typology is taken from Eurostat classification and typologies (https://ec.europa.eu/eurostat/web/regions-and-cities) based on NUTS 3 regions. No data are available for urban and rural regions in FR, CY, MT, for rural regions in IE, for urban regions in SI.

2.3.3 Minimum and average wage

Regional disparities are also mirrored in income levels and in the relationship between national MW and average wages. In Member States with low GDP per capita levels, the difference between MW and average wage is quite small (see Figure 7 below). With higher levels of GDP per capita the MW levels increase, but at a much lower rate than the average wages. Figure 7 shows the annual amount of the MW (yellow dots) for 2020, the average income of employees (for 2017) and the distance between the NUTS 2 region with the highest and the lowest average wage per employee in a Member State. The largest difference is in PL (nearly EUR 32,000), followed by FR (22,700) and BE, CZ, RO (EUR 18,000) and DE (EUR 16,000). Of course, also the size of country and the spatial definition of NUTS 2 matter for these structural differences.

In RO, PL, SK and CZ the income differences between the capital regions with high income and the rural areas with the lowest income are very large. This may lead to problems in the capital regions, where the MW may not offer a secure basis for decent living, especially in sectors where a large proportion of the employees are on MW (tourism, personal services etc). Conversely, in the regions with the lowest GDP per capita, the level of MW may pose a challenge to enterprises which
operate at low productivity.

In countries with higher GDP levels, differences are usually smaller, but they still persist. Wages close to the level of the MW may not be adequate in relation to the higher costs of living in these regions.

Thus, the challenge for the regional level is twofold:

- The MW may not be sufficient to ensure a living wage in regions with high income levels. Wages around the MW may occur when labour supply is higher than demand, and in some industries and services with lower wage levels.

- The MW may present challenges to enterprises in regions with the lowest income levels, as they may not be able to sufficiently raise the productivity levels. Again, there are certain sectors that are particularly challenged (e.g. workers in agriculture and tourism, especially seasonal workers).

Figure 7 shows the level of MW (lower line of points) and average compensation (total remuneration in cash or in kind plus employers’ social contributions) per employee for all Member States in PPS.

**Figure 7. Average compensation of employees and regional disparities and minimum wage in PPS**

Source: Own calculations on the basis of Eurostat (NAMA and earn_mw-tables) and Eurofound

Average wage data are for 2017, MW is 2020 (second half).
**Box 1. Methodological note**

In order to make the best use of the availability of data and allow for some conclusions on the regional situation of wage levels, information has been combined in the following way (always staying as close as possible to the methodologies applied by EUROSTAT and Eurofound):

Minimum wages are the statutory MW taken from Eurostat. These are presented as monthly wage rates for gross earnings, that is, before the deduction of income tax and social security contributions payable by the employee. They are published bi-annually. The MW presented here are from July 2020. For DK, IT, NL, AT, FI, SE minimum wages are set in Collective agreements. In these cases, the average of the three lowest rates (unweighted) has been taken (2019 data). For annual wages, the MW have been multiplied by 12.

The compensation of employees consists of the total remuneration (in cash or in kind) and of employers' social contributions (Eurostat – NAMA-tables). It is comparable to the definition of MW.

The main data source of regional employment and compensation was taken from the NAMA-tables from Eurostat. The latest available data were from 2017. These include data on the number of employees and the annual remuneration by NUTS 1 and 2 regions and by NACE sectors. We used the following NACE sectors (selecting those which are either characterised by wages close to the MW (agriculture, sale and tourism (G-I), various services (M-N), arts and entertainment) or by large number of employees and high relevance for regional economies (industry, manufacturing). The following industries were examined in detail: [A] agriculture, forestry and fishing; [B-E] industry (except construction); [C] manufacturing; [F] construction, [G-I] wholesale and retail trade, transport, accommodation and food service activities; [M-N] professional, scientific and technical activities, administrative and support service activities; [R-U] arts, entertainment and recreation; other service activities; and activities of household and extra-territorial organisations and bodies.

Only for France data on total employees are available, not presented by NACE groups. UK has not been included in the analysis.

All data on MW for countries using collective contracts and all data on compensation are in PPS. For the conversion the price level indices from EUROSTAT have been used.

### 2.3.4 Regions with low wage levels

Minimum wage, if set at an adequate level, should ensure a decent living for workers, strengthen incentives to work and reduce in-work poverty and inequality at the lower end of the wage distribution. For the regional analysis we set up the assumption, that in regions, where the average wage level is below the double of the MW, it is hard to achieve a fair level of living (this assumption picks up on the argument that the MW should be set at least at 50% of the average income). Figure 8, below, presents the ratio between average wage at national level and the MW (the red dots) – and differences between the NUTS 2 regions (the bars). In this figure two types of cases for regional disparities between wage levels can be identified.

There are regions where the **average wage is lower than 200%** of the national
average wage. The NUTS 2 regions Mazowiecki regionalny, Warminsko-Mazurskie, Swietokrzyskie, Lubelskie (PL), Nord-Est, Sud – Muntenia, Sud-Vest Oltenia (RO), Mayotte (FR) have an average wage level that is between 137% and 157% of the national MW. These are regions with GDP levels roughly between 60% and 80% and productivity levels between 70% and 80% of national averages. These are regions with low GDP levels as compared to the national average. Labour productivity is significantly below the national average, whereas wage growth seems not to show too much of a variation. The shares of people at risk of poverty and social exclusion – to the extent available – also show, that these are regions with high risk. The NUTS 2 regions with an average wage below 200% of the national MW are presented in 0 of Annex 4, including further relevant data (wage growth, people at risk of poverty, and unemployment rates).

Overall, 24% of the population live in NUTS 2 regions, where the assumption is that the average wage is equal or lower than 200% of the MW. Here one might conclude that the remuneration may not provide a decent living and the risk of having ‘working poor’ is higher than in other regions. There is one caveat: the cost of living is also lower in these regions. But as there is no benchmark of a living wage nor regional price differences, it is not possible to judge if lower living costs make up for lower pay. Thus, the evidence that overall wage levels allow for a decent living is very weak.

In some regions the average wage is much higher than the minimum wage: the highest differences between the national MW and the regional average wage (in NUTS 2 regions) within a country are Prague (CZ), Warszawaske stoleczny (PL), and Bolzano (IT), where the average wage amounts to about four times the national MW (in PPS). Many Northern Italian regions, Bratislavsky kraj (SK), Bucarest (RO), Région de Bruxelles-Capitale and Vlaams-Brabant (BE), Île de France (FR) are among the regions with average wages that reach about three to nearly four times the national MW.

One group of regions which need specific attention are border regions of Member States with high differences in national MW levels. This is the case for regions at the borders between DE and PL, CZ and AT with CZ, SK and HU. The minimum wages range around EUR 1,600 in DE and AT, and between EUR 450 for HU up to EUR 580 in SI and PL. Some of the regions have major commuting flows (e.g. Vienna and Bratislava, South Carinthia and the Maribor region in SI, Northern part of Lower and Upper Austria and South Moravia etc). The border regions in Germany and Austria have – in most cases (except Oberpfalz, DE; Oberösterreich, AT) GDP and wage levels below the national average, similar in in PL (except for

80) Except for Mayotte, where the GDP level is much lower – with 29% – and no productivity levels are available.
Donoslaskie) and SK (except for Bratislavsky kraj). Most of the regions have higher agricultural employment than in the national average (for more details see 0 in the Annex).

In these border regions the differences in nominal wages matter, taking into account the different wage levels and cost of living between the border regions of different Member States. This might cause a downward pressure on wages in regions in AT and DE due to the availability of cheap and well-trained workers (for those sectors where there are no regional shortages and regional labour can be substituted), and upward trends in wages in the countries with low wage levels.

Figure 8. Average wage as % of national minimum for all employees, national average and maximum disparities between NUTS 2 regions, in PPS, 2017

Source: Own calculation based on Eurostat (NAMA and earn_mw-tables).

It would be very useful to know the distribution of groups of workers with different wage levels. As indicated in Section 2.1, about 9% of the employees earn around the MW (+/-10%)\(^ {81} \) at EU level. At national level the shares are significantly higher than the EU average in RO (21%), PT (20%), HU (20%), PL (17%) and much lower (i.e. below 4%) in AT, EL, CZ, NL, DK, BG, SE. In order to identify disparities in income level between the regions, only the average income (of employees) can be taken. The average income is available by sector (latest data for 2017), but always for the entire group of employees in a NUTS 2 region.

2.3.5 Regional differences by sector

Wage levels differ between sectors. There are industries where the share of

\(^{81} \) Eurofound (2020b), p 13.
employees earning around the MW is higher than the average, namely:

- G-I: Accommodation, food-service (16%) and wholesale, retail (13%);
- A: Agriculture, forestry and fishing (15%);
- R-U: Arts, entertainment, recreation; other service activities; activities of household and extra-territorial organisations and bodies (14%).

These NACE groups represent more than one-third of all employees (with G-I having a share of 27% of all employees, R-U 6% and A with 2%). In addition to these sectors, we also include the two largest sectors – industry (with 19% of all employees) and manufacturing (17% of all employees) in our analysis, as these show regional wage levels that are above the national levels.

More than one fifth of all employees (22%) are located in regions where the average wage is at or beyond the threshold of 200% of the national MW (overall 24% of the total population lives in these regions). But when examining the sectors with high shares of MW earners, it becomes apparent that these rates are significantly higher for agriculture, where 87% of all employees in agriculture are in regions below the critical threshold, for Arts, entertainment and recreation the rate is even higher (with 91%), and for G-J (trade, transport and communication) the rate of 61% is also quite high (see Figure 9). We assume that G-I, M-N (Service activities) and R-U are the most affected sectors by the Covid-19 pandemic. Therefore, we can expect a deteriorating situation in terms of employment and remunerations in enterprises of these sectors.

**Figure 9. Share of population and employees living in NUTS 2 regions, where the average wage is equal or lower than the double of the MW**

![Graph showing share of population and employees living in NUTS 2 regions](image)

*Source: Own calculation based on Eurostat (NAMA and earn_mw-tables), Average wage: 2017, MW: 2020.*
Another issue arises when the **regional wage level is much higher than the national one.** In such cases the MW wages may not suffice for an adequate living as the regional living costs are higher than in the rest of the country. The available data only allows for a very rough estimate on this case, and no thresholds for this situation are available. For this analysis we have identified NUTS 2 regions where the average wage level is three times and above than the average wage. About 11% live in such regions, and the sectors mainly affected (from our sample) are industry and manufacturing (see Figure 10).

**Figure 10. Share of population and employees living in NUTS 2 regions, where the average wage is equal or higher than 3 times of the MW**

![Bar chart showing the percentage of population and employees living in regions where the average wage is equal or higher than 3 times of the MW](image)

*Source: Own calculation based on Eurostat (NAMA and earn_mw-tables), average wage: 2017, MW: 2020.*

The picture becomes more differentiated, when looking **into sectoral structures and regional disparities** in the Member states. Thus, the specific situation needs to be judged for each sector and each Member State. The sectors where wage levels are low are highlighted below.

**A: Agriculture, forestry and fishing**

In Agriculture, forestry and fishing the wages levels are particularly low. Average wage levels are below the 200% in most Member States and in 176 out of 240 NUTS 2 regions. In RO, EL and ES the average wage in agriculture is even below the national MW.
Regional variations matter more, if the average level is already very low. Regions with the lowest annual wages are – just to name the lowest – in RO (Sud-Vest Oltenia, Nord-Est), in EL (Kriti, Notio Aigaio, Anatoliki Makedonia, Thraki etc), in ES (Comunidad de Madrid, Comunidad Valenciana, Extremadura). These are also regions, where the share of employment in this sector is much higher than the national average, where the labour productivity in this sector is close to or below the national average. IE, AT, BE, LT, SE and PL (with very high differences between the highest and lowest average wage) also have regions where the average wage is close to the MW (see Figure 11). 0 in Annex 4 shows selected data for regions that are below the MW.

*Figure 11. Average wage as % of national minimum wage in in A: Agriculture, forestry and fishing, national average and maximum disparities between NUTS 2 regions within a Member State, 2017*

Source: Own calculation based on Eurostat (NAMA-tables), no data for FR

**R-U: Arts, entertainment and recreation**

This is the sector with the highest share of employees living in NUTS 2 regions with a compensation below the threshold of double the MW. In 17 Member States the average wage is between the MW and the double of it, but none is below the MW. Regional variations are large in EL, IT, PL, SK and BE see Figure 12), where some regions with low levels are below the 1.5 amount of the MW. Regions with the lowest average income, which ranges around the level of MW, are many regions in Germany (with Koblenz, Niederbayern, Saarland as lowest), Lithuania (Vidurio

82 Arts, entertainment and recreation; other service activities; activities of household and extra-territorial organisations and bodies.
ir vakaru Lietuvos regionas), IT (Sardegna).

Figure 12. Average wage as % of national minimum wage in R-U: Arts, entertainment and recreation, national average and maximum disparities between NUTS 2 regions within a Member State, 2017

Source: Own calculation based on Eurostat (NAMA and earn_mw-tables), no data for FR.

G-I: Wholesale and retail trade, transport, accommodation and food service

This sector has a large share of employees being paid close to MW. National averages of compensation range between the level of the MW and the double in 10 Member States and are only slightly higher than the MW (up to 225%) in another 11 Member States (see Figure 13). Regional differences are the largest in PL (between 101% and 445% of MW), CZ and RO. The regions with the lowest average wages are in PL (Mazowiecki regionalny, Warminsko-Mazurskie, Lubelskie), RO (Nord-Est, Sud-Muntenia, Sud-Vest Oltenia). The regions at this end of the ranking all show a very low labour productivity in the sector and average shares of employment (as compared to the national average).

Regions at the upper end of the scale are in PL (Warszawski stoleczny), IT (many regions in Northern IT, among them Lombardia, Provincia Autonoma di Bolzano/Bozen, Provincia Autonoma di Trento), CZ (Praha), BE (Prov. Vlaams-Brabant) and SK (Bratislavský kraj). The average compensation levels exceed the MW at least three times. In these regions cases might occur, where employees paid at MW are not able to live an affordable living, especially
as these regions also have high living costs (except for Vlaams-Brabant, where the GDP per capita is only slightly above the national average) (see also 0 in Annex 4).

Figure 13. Average wage as % of national minimum wage in G-I: Wholesale and retail trade, transport, accommodation and food service, national average and maximum disparities between NUTS 2 regions within a Member State, 2017

Source: Own calculation based on Eurostat (NAMA and earn_mw-tables), no data for FR.

**B-E: Industry**

Average wages in Industry (B-E) are higher than in the sectors mentioned above. Only in RO and PL the average wages are below the 200% threshold of MW. In most of the Member States the ranges are between 200% and 300% (see Figure 14). Disparities are in general smaller than in the sectors with lower wage levels and deviations are larger on the higher end (EL, CZ, SK, IT). The regions with the highest average compensation are in IT (Liguria, Lombardia, Emilia-Romagna), BE (Prov. Brabant Wallon), CZ (Praha) and EL (Peloponnisos, Dytiki Makedonia). With the exception of the Greek regions, all of them have GDP per capita levels above the national average. Employment close to the MW may cause problems in securing an adequate living in these regions.

Regions in RO (Nord-Est, Sud – Muntenia, Vest), PL (Warminsko-Mazurskie, Łódzkie, Opolskie) as well as in PT (Norte, Algarve) and BG (Severen tsentralen, Centru) are among those, where the average wage is between 125% and approximately 180% of the MW.
Figure 14. Average wage as % of national minimum wage in B-E: industry, national average and maximum disparities between NUTS 2 regions within a Member State, 2017

Source: Own calculation based on Eurostat (NAMA and earn_mw-tables), no data for FR.
3 Part 2: Enforcing, promoting and monitoring minimum wages from a regional perspective

3.1 Levels of involvement in minimum wages by local and regional authorities

From the literature LRAs are potentially involved in minimum wages at four levels.

The setting and enforcement of minimum wages. Only two Member States have a differentiated statutory minimum wage to the national rate: two autonomous regions of Portugal and one overseas department of France. Some regions and cities are involved in CAs, although there are questions about the legal competence of LRAs in setting and enforcing CAs set in legal frameworks (e.g. national labour laws).

The promotion of minimum wages. The involvement of LRAs is more common here and can take different forms including the employment and procurement practices of public employers, especially the LRAs, which are often amongst the largest employers and/or most significant purchasers of goods and services. LRAs have used procurement contracts to insist on the payment of minimum wages. We also have examples of LRAs (and especially metropolitan authorities such as Berlin, Bologna and Barcelona) where specific voluntary initiatives are deployed to encourage employers to pay adequate and fair wages, often in the context of wide social and economic protection measures, such as the implementation of anti-poverty and social inclusion strategies.

The monitoring of minimum wages and the economic conditions within LRAs to determine whether the wages being paid reflect fair and adequate wages and variations in purchasing power. LRAs are generally well placed to undertake research services to support the evidence base required to make judgements on fair and adequate wages.

In addition, LRAs generally play a wider and indirect role in raising wages through their economic development and related policies (e.g. attracting and promoting businesses that are likely to pay high wages, reskilling and upskilling programmes to help residents secure high paid employment etc.). These are important measures but are not the subject of our case studies.
3.2 The scope and selection of case studies

We have selected six Member States to illustrate different aspects of the role of Local and Regional Authorities in minimum wages policy. In selecting the case studies, we have been mindful of the dichotomy of practice between those Member States that set a SMW and those that use collective agreements. Our main driver has been to find examples of policies that offer potentially interesting approaches that could be adapted to other circumstances and implemented elsewhere. We have also been mindful of the quality of information and analysis available, to ensure that each case study can be presented in some detail, although information availability has been variable. We have been unable to identify relevant approaches in Central/Eastern European countries offering a base for a detailed case study.\(^{83}\)

The selected case studies provide illustrations of different approaches to minimum wage policies. In each case we place the approaches in the national context and highlight specific activities at the LRA level, reflecting the actual role played by the LRAs at the different levels of potential involvement, outlined above. The table below introduces the case studies.

<table>
<thead>
<tr>
<th>Case Study Country (SMW/CA)</th>
<th>National Level</th>
<th>Examples of Local and Regional Level</th>
</tr>
</thead>
<tbody>
<tr>
<td>Austria (CA)</td>
<td>Around 860 CAs define (among others) wage tables by experience and qualification and other forms of remuneration for the private sector. CAs are concluded between social partners (unions and chamber of commerce). Upon the request of the government, social partners agreed in 2017 to establish a minimum wage in all CAs until 2021.</td>
<td>No systematic role of the LRA level, except for CA in agriculture, which is in the competency of the Länder. Burgenland (Land) set a MW for the public employees with the intention to raise overall wage levels. Most relevant are differences in national MW and average wage levels in border regions to new Member States. Here the LRA level is affected but has no power to execute actions. Public procurement at all levels of government includes the request to respect CAs (as part of labour law).</td>
</tr>
<tr>
<td>Germany (SMW)</td>
<td>Nationally set minimum wage under German labour law, with some variations by sector. No mandatory variations at regional or</td>
<td>Example of Berlin which has a voluntary minimum wage but is also enforced with employees of the city administration and businesses procuring goods and services contracts. The Berlin Senate also</td>
</tr>
</tbody>
</table>

\(^{83}\) Lithuania was considered as a sub-national differentiation was proposed but rejected – Eurofound stated that some employer organisations had argued for ‘lower’ wages in those parts of the country where agriculture and other low value economic activities were common. However, the level of information we could find was not sufficient for a case study.
<table>
<thead>
<tr>
<th>Case Study Country (SMW/CA)</th>
<th>National Level</th>
<th>Examples of Local and Regional Level</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Ireland (SMW)</strong></td>
<td>- Local level allowed. Significant purchasing power variations between the East and the West.</td>
<td>- Introduced a Solidarity Basic Income Scheme targeting unemployed individuals linked to MW policies through jobs offered collective agreements and the SMW.</td>
</tr>
<tr>
<td><strong>Italy (CA)</strong></td>
<td>- Regular reviews, and increases in the SMW, recommended by the Low Pay Commission. Ireland is also one of the few Member States to set a MW taking the cost of living into consideration.</td>
<td>- The non-statutory Living Wage is differentiated by four territorial categories based on variations in the costs of living.</td>
</tr>
<tr>
<td><strong>Portugal (SMW)</strong></td>
<td>- Some 600+ sector based CAs, set at national level but with some minor allowances for variations through top-ups and bonuses, linked to productivity. Significant purchasing power variations between the North and the South.</td>
<td>- Example of Bologna (and also other cities) of a Charter for Digital Platform Workers that – so far – has been offered to food delivery riders, increasing wage levels and employment conditions amongst participating employers.</td>
</tr>
<tr>
<td><strong>Spain (SMW)</strong></td>
<td>- Statutory minimum wages have a long track record going back to the 1970s. Since 2000, Portugal has recorded one of the largest growth rates in the EU in the relative value of minimum to median wages.</td>
<td>- The Autonomous Regions of the Azores and Madeira are the only cases currently in the EU of the regional level having the competencies to set regional MW and exercising them in full, covering also enforcement, promotion and monitoring of the regional MW and its links with broader economic, employment and social aspects.</td>
</tr>
</tbody>
</table>

Spain increased its SMW in 2019 in response to evidence that the previous level was not providing a fair and adequate wage. Both the Catalan and Basque regional parliaments have debated the case for a regionally set and enforced SMW, but have failed to reach agreement. However, the Basque region should receive some new powers of autonomy, including the ability to set a SMW if agreed by the regional parliament.
3.3 Case studies

3.3.1 Austria

The National Situation

Though there is no statutory minimum wage in Austria, the social partners – upon request of the government – reached an agreement in 2017 to implement a MW of EUR 1,500 (14 times a year, which is equivalent to a monthly rate of EUR 1,750) in all collective agreements until early 2021. Therefore, a ‘general’ MW has been introduced through collective bargaining procedures and so far, it is realised in nearly all sectors.

Austria has a long tradition of wage setting through collective bargaining. Trade unions and the chamber of commerce agree on collective agreements, usually with annual updates of the wage tables. Collective agreements are negotiated at the sectoral – not at regional – level. However, the negotiations are strongly (but informally) coordinated among each other, usually started by the metalworking industry, which sets the pace for an increase in wages. Macro-economic factors guide the negotiations, where productivity gains are a major orientation. This is an implicit strategy to support the upgrading of production and services and avoid strategies that might build on ‘cheap labour’.

The legal basis of CAs is the Labour Constitution Act. CAs cover nearly all employees of private companies and institutions (and the agricultural workers which is settled by the law for agriculture). The wage level agreed as MW for all CAs is among the highest in Europe, and reflects a high overall wage level.\textsuperscript{84}

The CAs define wages tables for different groups of employees and workers, defined by qualification (job profile) and experience. Beyond that, they settle labour conditions, additional parts of compensation (13th and 14th salary, holidays, payment during sick leave and many other items related to remuneration and working conditions).

There are numerous CAs in Austria, especially as many industries have separate CA for workers and employees. The most important is the multi-employer CA at sectoral level, but there are also some for large enterprises. A total number of around 860 CAs is reported and the Federation of Trade Unions states that around 450 CAs are concluded each year.

In the public sector the CA does not apply but there are wage schemes which are negotiated between the trade union for the public sector and government

\textsuperscript{84} The overall wage level in Austria in PPS is similar to the ones in DK, DE, IE and NL (approx. 38,500 PPS p.a.).
representatives. Wage schemes for public institutions in the Länder are similar to the federal level, but not identical. The lowest wage levels of the federal scheme are higher than the agreed MW and are about EUR 2,000 (gross) paid 14 times a year, which is equivalent to EUR 2,333 per month.85

The role of Regional Authorities

There is a general consensus among those interviewed, that only the regional (Länder) level plays a minor role in wage setting. The main reasons are that the wage levels do not differ much between the regions and that wage setting relies on a more targeted mechanism taking into account different sectoral or regional conditions. These mechanisms are agreements at company level and individual working contracts.

The agricultural sector is an exception to this: as this falls within the competency of the Länder, with CAs negotiated between the representatives of the employers and the workers, but at the level of each Land. From an analysis of the CAs it appears that there is a heterogeneity of the types of CA for agricultural workers between the Länder which reflect the geographic and historic specificities, but is more difficult to familiarise for mobile workers in the sectors.

For all other sectors, the CA applies for all of Austria. Only in four CAs (tourism, restaurants, retail and taxis) the social partners have concluded specific CA at the level of some Länder. The specifications refer to add-ons like daily allowances or the calculation of overtime, but the wage tables are identical.

Interviewees stated that regional specifications used to be more comprehensive, but have been reduced over time as they have not been deemed significant and caused too much administrative burden and complexity. This is reasoned in the fact that regional disparities are – compared to many other countries – not very large. In terms of compensation per employee, the capital city region Vienna reaches 111% of the national average. Burgenland, the most Eastern region, has the lowest level with 86% (2017).

One initiative of setting a higher regional MW has been reported recently: the regional government of Burgenland launched a new wage scheme for the employees of the Land in 2019, where the MW is EUR 1,700 net per month (14 times), which is equal to EUR 2,400 gross. The system in place up to 2019 had provided a gross minimum wage of EUR 1,800. The new system, which is being gradually implemented for newly entering employees to the public service (but also for public servants willing to change their contracts), foresees the higher entrance

85 The MW statistics provided by Eurostat provides national minimum wages at monthly rate. For countries where wages are paid 14 times a year, the monthly rate is calculated as follows: (monthly rate x 14) / 12.
salary of EUR 2,400 gross, but with fewer increases later on. The aim is to raise general wage levels in Burgenland, also in the private sector. So far, the wage level is at 86% of the national average (PPS, in 2017) which is the lowest of all Länder, whilst GDP only reaches 71% of the national average.

**Border Regions**

The most important problem with MW at regional level concerns the two types of border regions:

- In the Western part of Austria, the neighbouring German and Swiss regions have higher wage levels. One respondent reported that there used to be different wage tables for the retail sector, with higher wages than the national level for Salzburg and Vorarlberg. The purpose was to respond to higher wage levels in the neighbouring regions of Germany and Switzerland and enhance the attractiveness of the regional labour market in the Austrian parts of the border regions. However, no measurable impact could be observed on commuting so the regional differentiation was abandoned.

- In the Eastern and Southern part of Austria there is a significant pay gap with the neighbouring countries, which is also reflected in the huge discrepancies between the (nominal) MW: Slovakia has MW of EUR 580, Hungary EUR 452, and Slovenia EUR 940. So even if the Bratislava region has a higher wage level than the national average, the difference from the Vienna region is still substantial. A similar situation is in the Northern and Eastern part of Lower Austria and the Burgenland with Slovakia and Hungary, and the southern part of Austria at the border to Slovenia. An interviewee from the city of Vienna stated that the city favoured actions towards a reduction of the disparities in national MW. However, a regional variation of MW was strongly objected by several interviewees, as this could distort national labour market conditions and hamper convergence. Only in very few cases (especially when there is shortage in labour force and the occupation has seasonal variations, like in tourism and agriculture), it was felt that some exceptions might be useful.

An important point was raised on the mechanism for controlling MW. The most important instruments to counterweigh national wage differences in border regions are the ‘Posting of Workers Directive’, which requires that posted workers are paid according to the rules of the receiving Member State and the second is the law against wage and social dumping, which enforces, not only the minimum wage, but all the different wage levels of the CAs. The problem is that in case of violation from a foreign company the procedure is launched in Austria, but the prosecution and fine is within the responsibility of the posting country. However, the regional
level (Land) is not involved in this.

One of the instruments mentioned in the draft regulation is public procurement. In Austria, the national procurement law foresees (Art 93) that in public procurement, national labour and social laws, as well as CA, have to be respected. This is, of course, implemented in the procurement laws of the Länder as well. One of the ‘critical sectors’ is construction where Länder have an important role in procurement. For procurements in construction there is the ÖNORM B 2110 which specifies the calculation of wages, respecting the CA. This is the basis for checking the calculation of the bidders.

If the bidders offer very low fees the offer undergoes a detailed examination where the compliance with CAs is part of it. Also, information from the administrative evidence on wage and social dumping (held by the social security institutions) may be requested. The interviewees stated that the issue of wage dumping seems not be a specific problem they are aware of.

### 3.3.2 Germany

**National Situation**

Germany has a statutory nationwide minimum wage with additional legally binding arrangements for certain sectors (enforced under the Posted Workers Act). The minimum wage is determined by use of expert analysis and informed by the analysis of data sets – including an earnings survey - showing hourly and monthly wages and changes over time, and coordinated by a Minimum Wage Commission, which includes three workers and three employers’ representatives and two economic advisors without voting rights.

The statutory MW has been introduced in addition – or as supplement – to the traditional system of collective bargaining. There are more than 50,000 CAs, and around 7,000 are renewed annually. Collective agreements cover about 250 industries. In most cases CAs are concluded with a territorial and/or industry scope, i.e. they are to ensure that companies within an industry have the same minimum working standards within a territory. The territory may be the whole of Germany, some or a single Federal Land (e.g. metal working for Hessen, for North Rhine-Westphalia) or other types of regions (e.g. coastal regions). Some CAs are concluded at company level (e.g. Volkswagen, Lufthansa).

Overall, the coverage of employees is much smaller than in Austria – and has been declining in the private sector (the public sector remain rather stable) from around 66% (in 1996) to 43% (in 2017) in the Western part of Germany and from 48% to

The decline is possible due to the system of collective bargaining in Germany: collective agreements (‘Tarifvertrag’) are not concluded in all employers’ associations and for the cases where they are concluded, they only apply to enterprises with membership in the respective sectoral employers’ associations (many employers do not join such an association in order to avoid such binding effects of the CA). Employees are only protected by the CA if they are members of the trade union. In practice, employers often ask employees for a disclaimer on the minimum wage in the CA in order to secure jobs (this is often illegal, as not backed by the trade union). The introduction of a statutory MW has been a reaction to the decreasing coverage of CA and was seriously disputed. The main concerns were negative employment effects, concerns that were particularly strong from the new Länder.

The labour market impacts have been under scrutiny and the work of the Commission and the effectiveness of minimum wage policies has been evaluated – with some mixed, but mainly encouraging results: positive results could be achieved for those earning the lowest wages, women, those in full-time employment and those working in the former East Germany, although for the latter levels of GDP per head and the cost of living show significant variances between east and west. In contrast to the concerns of a declining number of jobs to the introduction of MW, the number of employees has increased and no negative effects on the labour market could be detected. However, the expectation that the number of working poor persons would decline, was not realised. The main reason found for this is that persons have part-time jobs (and therefore lower total income) or no access to the labour market.

In 2020 the hourly statutory minimum wage was EUR 9.35 (equivalent to EUR 1,540 monthly wage), from EUR 8.50 in 2015.

\textbf{The Role of Local and Regional Authorities}

LRAs are not involved in the setting or enforcing of the statutory minimum wage in Germany, and have no legal powers to do so, but regional disparities in GDP, purchasing power and the general economic situation are recognised as issues impacting on the fairness of the minimum wage.
There are some examples, where LRAs have taken initiatives on wage setting including the case of Berlin which has a combined status of a federal Land (State) and a city.\textsuperscript{87} The State administration has set a minimum wage of EUR 12.50 per hour in recognition of a higher cost of living. It is a voluntary commitment - in the sense it is a State administration initiative - but compliance is enforced, through the Berlin State Minimum Wage Act\textsuperscript{88}, in the areas where the Berlin State administration has direct influence (where public money is spent), namely:

- Employees of the Berlin State administration;
- Associated companies where the State has a financial share such as the Berlin Waterworks and the IBB Business Development Bank;\textsuperscript{89}
- Organisation in receipt of grants from the Berlin State;
- Service provision and supply contracts procured (above EUR 10,000 for services and EUR 50,000 for building works) by the Berlin State and under the German Social Security Code.\textsuperscript{90}

Berlin does not have information at this stage as to the number of individuals benefiting from its minimum wage policy. The Berlin State administration also manages a Solidarity Basic Income Scheme geared to the long-term unemployed and supporting their re-integration to the labour market. The State administration has provided a budget of EUR 167 million over five years and targeting 1,000 Berliners. The scheme is linked to employment outcomes and all participants have the chance of a job in eleven pre-defined areas, all with a public interest focus. The resultant jobs are subject to CAs, but for jobs without CAs, the State minimum wage is paid.

\textit{Box 2. Solidarity Basic Income Scheme}

In 2019, 214 prospective employers registered 1,760 jobs for the programme. The jobs were validated by the State administration and begun a process of matching the jobs with prospective applicants. This process was completed in November 2020 with all 1,000 of the subsidised – by the State administration – jobs assigned. The State guarantees payment for the five-year period providing a safety net if the goal of transition to regular, unsubsidised employment cannot be met. An evaluation of the programme is due in 2021. It is too early at this stage to comment on the achievements of the scheme, or how it may be developed further, but the scheme has demonstrated demand from unemployed individuals and interest from employers.

\textit{Source: Information provided by the Berlin State Administration}

\textsuperscript{87} Bremen is one example. Hamburg also had a state minimum wage but this was abolished when Germany set a nationwide SMW. In 2020, seven regions have their own minimum wages for procurement purposes – Brandenburg, Berlin, Bremen, Hamburg, Thuringia, Mecklenburg-West Pomerania and Schleswig-Holstein, with Saxony due to adopt similar powers in 2021.

\textsuperscript{88} Landesmindestlohngesetz Berlin.

\textsuperscript{89} The State of Berlin currently has direct financial holding in 55 organisations as well 170 affiliated or subsidiary companies.

\textsuperscript{90} SGB, Sozialgesetzbuch.
3.3.3 Ireland

National Situation

The National Minimum Wage (NMW) was introduced in Ireland in 2000 as a social policy commitment to protect workers considered to be most vulnerable and at risk of exploitation and to protect against poverty. It is currently the second highest in the EU 27, standing at EUR 1,707 per month (EUR 10.30 per hour), a 3% increase in the last year. The NMW has also grown in real terms since 2015, from around EUR 1,450 p.a. to over EUR 1,600 in 2020 (in 2015 prices)\textsuperscript{91}. However, minimum wage workers in Ireland have seen the value of their wages decline significantly when compared to other workers since 2000.\textsuperscript{92}

The way for setting the NMW falls in the category of ‘expert-committee led processes.’ The relevant body is the Low Pay Commission (LPC), comprising three members with employer organisation background and three with trade union background, two academic experts and an independent chairman. The LPC operates an annual cycle of research followed by open consultations, before publishing its recommendations to the government, but only once in six years did it reach a unanimous recommendation. The most recent report (2019) included recommendations that were accepted by the government but were supported only by six of its members, with the remaining three issuing a minority statement, followed by resignations.

The Living Wage in Ireland

Ireland is one of a small number of EU countries which take the cost of living into consideration in setting the NMW\textsuperscript{93}, but not as fully defined by the Living Wage campaigners. The Living Wage currently stands at EUR 12.30 per hour, nearly 20% higher than the NMW.

\textsuperscript{91} Eurofound (2020b), Table 7, p 22.
\textsuperscript{92} Ibid, p 37.
\textsuperscript{93} Ibid, p 67.
Box 3. ‘The Living Wage’ in Ireland

The Living Wage was established in 2014 and is updated annually. It is set by the Living Wage Technical Group, a non-governmental body backed up by research, trade union and social justice advocacy organisations.

The calculation of the Living Wage is based on research identifying a ‘minimum essential standard of living’, including food, household goods and services, housing and transport costs. The total expenditure is measured against 16 categories of expenditure for four types of area. This is then translated into the equivalent net income and corresponding gross salary, as shown below.

<table>
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<tbody>
<tr>
<td>Expenditure p.w.</td>
<td>500.84</td>
<td>394.61</td>
<td>413.96</td>
<td>371.24</td>
</tr>
<tr>
<td>Gross salary p.a.</td>
<td>30,908.59</td>
<td>23,181.44</td>
<td>24,604.87</td>
<td>21,351.33</td>
</tr>
<tr>
<td>Net salary p.w.</td>
<td>501.09</td>
<td>395.12</td>
<td>414.64</td>
<td>372.37</td>
</tr>
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</table>

The 2020 Living Wage is set at EUR 12.30 per hour, unchanged from the 2019 figure. This corresponds to the average of the four regional rates weighted to reflect the proportion of the working population in each area. It is based on a single-adult household, i.e. one wage earner without dependants. There are also complementary calculations of ‘Family Living Incomes’ (gross salary per adult for six different family configurations).

The Living Wage is a non-statutory rate. Major companies, mostly, non-unionised apply it voluntarily and advertise this fact in their recruitment publicity (e.g. Ikea, Aldi, Lidl). Wages in unionised companies (e.g. Tesco) may start below the Living Wage but tend to offer career progression and other benefits.

Compliance with the NMW is enforced by the national inspection services of the Workplace Relations Commission and adherence to the NMW in public procurement is required by law. Some semi-state companies (e.g. utility providers) require sub-contractors to adhere to the NMW but are not known to impose any enhanced requirements.

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94 The Living Wage Technical Document; Study consultations.
95 https://www.livingwage.ie/about/who-supports-the-living-w.html
96 This research establishes a consensus on what members of the public believe is a minimum standard that no individual or household should live below.
The Role of Local Authorities

There are significant regional variations in Ireland in terms of different aspects of value and adequacy of the NMW. For instance, the average wages in NUTS 2 regions range in value (PPS) from around 1.7 to 2.7 times of the NMW. Also, the Living Wage calculations, highlight the magnitude of the regional variations in assessing a minimum level of wage (and minimum wage income for families), with the cost of a basket of goods and services being 35% higher in the capital (Dublin) than in rural areas.

However, the possibility of reflecting these variations in minimum wages is not on the policy agenda. There is an overall assumption that the legal framework of the NMW and LPC’s remit are restricted to a universal rate and that regionalised rates could create government policy issues, e.g. in attracting and directing Foreign Direct Investment, and associated regional rivalries. Local authorities have not taken a position on this issue and the study consultations suggest that this is likely to persist due to a lack of tradition in local authorities playing a role as policy initiator or advocate in the field of social policy, and a long-standing aversion of both local government employers and trade unions to regional variations in pay, other than minor adjustments.

The local authorities also have a limited role in the enforcement and promotion of the NMW. In relation to procurement, they follow national procedures and these have been greatly streamlined since 2014 under the auspices of the Office of Government Procurement. However, there is some small scope for discretion, often known as a ‘social’, ‘local’ or ‘preference’ clause. For instance, in the case of Limerick City and County Council the employment charter provides for the employment of local people in local authority contracts and is included in the calls for tender. However, there is no evidence of such clauses being used in connection with the NMW or any enhancements to it.

There is also a raft of social and employment policies implemented through the local authorities with complementary objectives and potential links with minimum wages, such as the following two cases:

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97 “… make recommendations to the Minister regarding the national minimum hourly rate of pay”, National Minimum Wage (Low Pay Commission) Act 2015.

98 According to the study consultations these add-ons are remnants of bottom-up initiatives during previous cohesion policy periods when Ireland had ‘Objective 1’ status and many area-based programmes and projects.

99 Limerick City and County Council Employment Charter.
The ‘Roadmap for Social Inclusion 2020-2025’ is a broad national strategy, which includes the ensuring of a fair minimum wage, complemented with promoting fair working conditions and enhancing income supports for families with children and other strands of action.\textsuperscript{100} Under implementation, it provides for ‘poverty impact assessment’ inter alia by local authorities and ‘social impact assessment’.\textsuperscript{101}

The Social Inclusion and Community Activation (SICAP) Programme aims to reduce poverty and promote social inclusion and equality.\textsuperscript{102} It is implemented through local action plans targeting the most disadvantaged and the hardest to reach in communities, including low-income workers/households. For example, in the case of Limerick County it is implemented by three local development organisations overseen by the Limerick City and County Council. Their local action plans cover a range of measures, including delivery of community-based health and wellbeing initiatives and work experience/employment related activities, and but do not link up with minimum wage or income support.

3.3.4 Italy

National Situation

The minimum wage in Italy is administered by collective agreements, at a sectoral/trade level, mostly set at the national level as national collective bargaining agreements (NCBA). There are an estimated 800+ NCBA, although some are dormant, but the large number and overlaps between agreements in many sectors result in a very fragmented approach with issues of inconsistency and non-compliance in some areas (see also Figure 15). There are examples of disputes in some sectors as to which collective agreement applies in particular cases and a mixed position in respect of the involvement, as signatories, of Italy’s largest trade unions (UIL, CGIL and CISL) and also the Confederation of Italian Industry (Confindustria). There has been an increase in decentralised collective bargaining with more company level agreements but with ‘disparities due to company size, sector of activity, and geographical area’.\textsuperscript{103} However, Eurofound reports reforms following the 2015 Jobs Act to ensure that wages are set by the most representative employers and workers’ organisations.

\textsuperscript{100} Under the goal “To ensure that workers are treated fairly and paid fairly and that work continues to be the best route to social inclusion” (Department of Employment Affairs and Social Protection, Roadmap to Social Inclusion 2020-2025, 2020, pp 26-33).
\textsuperscript{101} \textit{Ibid}, pp 75-76.
\textsuperscript{102} \texttt{gov.ie} - Social Inclusion and Community Activation Programme (SICAP) (www.gov.ie)
\textsuperscript{103} Feliciano Ludicone: Italy: Increasing fragmentation in collective bargaining at sectoral level, Eurofound Representative Topic, 19.2.2018.
Wages are set nationally as part of each agreement despite significant variations in GDP and the cost of living between regions and between north and south Italy, in particular. There is some scope for variations through productivity and other bonuses (although generally no more than EUR 1-2 per hour variance). Performance related pay and performance related tax breaks and relief on social security contributions are possible under collective agreements and enshrined in Ministry of Labour employment laws but can also be implemented via improved working conditions (and increasingly include benefits deemed important to employees such as flexible working and holiday planning). These policies are generally welcomed by trade unions and also employers, keen to improve levels of productivity.\textsuperscript{104}

From time to time there have been discussions at the national governmental level (Eurofound reports a ‘lively debate’ with proposals to involve ten representatives of employers, ten of employees and the National Council for Economics and Labour [CNEL]) in respect of a national statutory minimum wage. However, there has been opposition from businesses and other social partners (including trade unions who have negotiated higher rates for their members, which might be reduced if a SMW of 60% of average wages is established). In 2019 there was also a proposal for a SMW to cover those workers not included by collective agreements

\textsuperscript{104} Michele Faioli: Italy: Performance related pay tax break, Eurofound Working Conditions and Industrial Relations Topic, 23.12.2014.
and the Eurofound report makes mention of an additional proposal to add ‘regional correction coefficients’ as part of a new SMW for Italy, but states that there is no detail on the proposals and that the debate does not appear to have been taken forward, a perception confirmed also by the consultations.

In addition, consultees have suggested that regular changes at the political level have dampened chances of agreement on a national SMW and it is not currently a priority – the collective agreements in place seem to be considered as working well, covering some 80% of the workforce. There is though, a rapid increase in the number of workers falling into non-standard employment, including many platform workers not covered by collective agreements – a prompt for the Charter for Digital Platform Workers piloted by Bologna, and highlighted below, and now adapted elsewhere, including in Naples. Indeed, Eurofound pinpoints the rise in ‘informal’ ‘pirate’ agreements that are not bound by labour law, but which might have the effect of under-cutting formal, legally binding agreements.

**Minimum wage for platform workers**

An example from Bologna, which we now understand is being adopted in Naples, provides a voluntary agreement on minimum wages as part of a wider package of social and employment rights. The scheme focuses on the estimated 5 million digital platform workers (in Italy, 2014\(^{105}\)) and specifically on riders, delivering pizza and other foods in Bologna.\(^{106}\) It followed a strike by riders in 2017 protesting about their working conditions, safety and lack of job security. What followed was a 12-point charter that was launched in 2018 and has three businesses (including Domino’s) and covers some 300 workers. It builds on the principles of the European Pillar of Social Rights (Principle 5, Secure and Adaptable Employment). The voluntary agreement has seen an increase of the minimum wage for riders, for participating businesses, from EUR 5.50 (gross) to EUR 9.0 (net) per hour\(^{107}\). The nature of the scheme means that it doesn’t have a legal basis although public health laws have been employed to secure safety improvements for riders. The scheme is monitored by the Foundation of Urban Innovation – a city/university collaboration – which provides data to support the scheme and the choice of delivery riders. There are aspirations to involve other groups of digital platform workers and the scheme has been promoted by Eurocities as an example of good practice in the urban context. The scheme has not been evaluated but the interview with the Deputy Mayor highlighted some practical improvements that had resulted from the pilot and the raising of awareness (and status) of food delivery riders in the city.


\(^{106}\) The region Emila Romagna is not involved as it does not have the spatial concentration of riders, outside of Bologna.

\(^{107}\) [https://consegnetiche.it](https://consegnetiche.it)
Box 4. Charter of fundamental rights of digital work in the urban context

**Key Objectives**
- Improve the access of workers and the self-employed to information related to own working conditions
- Improve the working conditions of all workers and self-employed
- Promote social dialogue between companies, trade unions and digital workers
- Improve transparency of the digital labour market without imposing overly heavy obligations on companies
- Promote the spreading of digital work in Italy and in Europe

**The Charter provides**
- Minimum standards of protection for digital workers
- Obligations on businesses to provide information to all workers and contractors
- Complains procedures
- Minimum amounts of guaranteed paid hours
- Insurance for riders
- A fixed (adequate and decent) hourly remuneration
- The right to refuse work in adverse weather conditions
- Health and safety rules and rights to protective equipment
- Data protection and access protocols
- Access to free connection
- Trade union rights including the right to protest

3.3.5 Portugal

**National level**

Minimum wages have a long track record in Portugal going back to the 1970s. Portugal is also one of the relatively few EU countries to have ratified the ILO’s Minimum Wage Fixing Convention, 1970 (No. 131) and the related recommendation (No. 135). Portugal has one of the highest shares of employees (20%) earning around the minimum wage. It is also one of the very few EU Member States with different statutory minimum wages for its autonomous regions (Azores and Madeira – see below).

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109 +/- 10% of statutory minimum wage in 2017 (Eurofound (2020b) p 13).
In 2020, the national statutory minimum wage\textsuperscript{110} for mainland Portugal was EUR 635 p.m., 6\% higher than in 2019. It comprises 14 monthly payments p.a., and corresponds to an equivalent rate of EUR 741 p.m. for 12 monthly payments. The long-term trend has been strongly upwards, with Portugal recording the second largest growth of the relative value of minimum to median wages in the EU since 2000, from 46\% to 61\%.\textsuperscript{111} This trend resumed after the disruption of the economic crisis in 2011-2014.\textsuperscript{112}

The process of setting the MW falls in the category of ‘institutionalised consultation of social partners’. The government presents a proposal and consults within a tripartite setting.\textsuperscript{113} In 2019 the government proposed a mid-term tripartite agreement on wages, income and competitiveness, with the MW rising all the way to 2023. Within this framework, the NMW rose again in 2021 to EUR 665 (equivalent to EUR 775 when converted to 12 monthly payments p.a.).

\textit{Regional level - the Autonomous Regions of Azores and Madeira}

There is a long-standing recognition of the need to set appropriate minimum wage rates in the autonomous regions of Azores and Madeira, going back to 2000 in the case of the Azores and even earlier in the case of Madeira. Accordingly, the full process of setting, enforcing and monitoring the statutory regional minimum wage for each of these regions is conducted at the regional level and it is not subject to approval by the national level.

The process of setting the regional MW, involves an ongoing formal and informal engagement of the regional government with the trade unions and employer organisations. The annual cycle comprises three main steps:

- The Regional Government proposes the regional MW (RMW) rate.
- The social partners discuss\textsuperscript{114} at the standing Economic and Social Concertation Council\textsuperscript{115} seeking the agreement of all parties.
- The Legislative Assembly approves and enacts the RMW by Regional Legislative Decree.\textsuperscript{116}

In the Azores, the RMW rate was set at EUR 666.75 in 2020, rising to EUR 695.25

\textsuperscript{110} Minimum monthly guaranteed remuneration (RMMG).
\textsuperscript{111} Eurofound (2020b), p 37.
\textsuperscript{112} Ibid, Fig 7, p 22.
\textsuperscript{113} Ibid, Fig 11 & p 29.
\textsuperscript{114} E.g. Support Document for Decision on RMMG [RMW] in the Autonomous Region of Madeira 2021
\textsuperscript{115} E.g. The composition of Madeira’s ESCC comprises some 40 members drawn from the regional government, employer and employee organisations, universities, civil society organisations, etc. (Regional Legislative Decree No 2/2016/M). Similarly, the Azores Economic and Social Council is a tripartite body with an advisory role in economic, employment and social matters, including the minimum wage.
\textsuperscript{116} E.g. Regional Legislative Decree No 2/2020/M https://dre.pt/home/-/dre/129793723/details/maximized
in 2021, 5% higher than the NMW for mainland Portugal. The level of RMW in Madeira is about 2.5% higher than the national rate, standing at EUR 650.88 in 2020 and EUR 682.00 in 2021. Since the economic crisis, the trend has been strongly upwards representing a 32.4% increase since 2015 in the case of Madeira and 31.7% in the Azores.

The main objective in setting a RMW is twofold: to mitigate the higher costs arising from the ultra-peripherality of these island regions and to reduce socio-economic inequalities. Although there is no fixed formula or formal method, the cost-of-living considerations represent the main criterion in defining an appropriate level for the RMW.

The right rate of RMW is well debated among the social partners and the regional government, with arguments presented for substantial increases (“a truly decent percentage”) and vice versa, and proposals which do not always come to fruition. For example, “during the previous legislative period in the Azores there was an initiative in favour of raising annually the RMW by 7.5% above the NMW rate, as proposed originally by CGTP, one of the two largest share of union membership in the Azores. However, on the employers’ side, the Chamber of Commerce and Industry of the Azores challenged such an automatic increase, as it does not take account, in each year, the actual capacity of regional companies to face the rising costs and loss of competitiveness”.117

The experience of the Portuguese autonomous regions shows that regional government plays an important role, not only in setting the RMW, but also in enforcement, promotion and monitoring, including public procurement and collective agreements (CAs). In the case of Madeira, it has been emphasised that the government arbitrates in disputes between union and employer sides and, in the last resort, can impose a solution. It is a process that often transcends political affiliations and works well, judging by the fact that it normally results in agreement between the parties, and ‘social peace’ has been maintained in industrial relations, notably in the hospitality and construction sectors which are crucial for the island’s economy.118 For example, there were disagreements between the union and employer sides in the construction sector, but these were resolved by the regional labour office through a voluntary arbitration decision.

There are more than 50 collective agreements in Madeira, at regional and company level, by sector and occupation and they are monitored systematically by the regional government. These CAs define wage levels higher than the RMW, for example, 3% in hospitality, 1.8% in construction and 1.7% in transport. The average regional wage currently stands at EUR 890 pm, approximately 37% higher than the RMW rate in 2020. Nearly 90% of the workforce is covered by CAs,

117 Study consultations.
118 Ibid.
50,000 workers out of a total of 56,000 employed in the region.

Various other social and employment policy measures are in place to address the challenges of insularity and remoteness, which lead to lower income levels and living standards, as well as higher living costs. For example, in the Azores, in addition to the higher rate of RMW, there are regional decrees providing for a regional pension supplement for pensioners and a regional supplementary remuneration for public administration workers. Their values are fixed and updated annually by the regional government.

### 3.3.6 Spain

**National Situation**

Recent debates around the MW in Spain have centred on the adequacy and fairness of the national statutory minimum wage and separate discussions in the Catalan and Basque regions around the setting of regional SMWs (see below). The legal competence for setting the SMW rests with the Spanish (national) government.

In 2019 the Spanish monthly SMW increased from EUR 736 (paid 14 times p.a.) to EUR 900<sup>119</sup>, giving an effective annual wage of EUR 12,600, estimated to potentially benefit 31% of Spain’s labour force. It followed a statement from the (then) recently elected Prime Minister who announced that “a rich country cannot have poor workers”, although the new rate lags behind some other Western European Member States, notably France and Germany. It was nevertheless, the largest increase in the SMW for several years (since 1977) and followed a 4% increase in 2018, as part of the annual review. Eurofound’s Annual Review comments that the 2019 increase resulted from discussions and agreements with social partners whereas previously “government had only consulted the social partners with little room for them [the social partners] to alter the results”. There have been proposals to increase the SMW further to ensure that it by 2024 it is at least equal to 60% of the average wage in Spain. The monthly SMW was increased to EUR 950 for 2021.

The increase in the national SMW has not been universally popular, with some opposition from employers’ groups. A leading bank has conducted a study suggesting that the new rate has had a negative impact on employment, and we understand that as of December 2020 the Spanish government was looking to commission its own research to investigate these claims and review the overall impact of the rise.

<sup>119</sup> Implemented in January 2020.
The position of the Catalan and Basque Regions

The government of Catalonia debated a RMW of 60% of the regional median wage by 2020, which would have resulted in a monthly MW of EUR 1,239 paid 14 times and potentially impacting on 14% of Catalan workers. There has been extensive debate in the regional parliament\(^{120}\) but with no agreement on arguing for a SMW set and enforced at the regional level. Our understanding from consultations is that the debate is now closed but that the figure of EUR 1,239 is used as guidance for public procurement\(^{121}\) and also for social partners in setting wages through CA.

A similar debate has taken place in the Basque Parliament\(^{122}\) where a monthly regional wage of EUR 1,200 (60% of the regional average wage) was proposed, on the basis of higher per capita incomes and representations from trade unions and other social partners, but against opposition from employer associations.\(^{123}\) The debate included a discussion of a statutory minimum wage for the Basque Region, and as an alternative a more restricted proposal to apply a regional MW to public sector employment and contracts. One amendment proposed during the debate was to push for a higher national SMW, respecting the legal powers held at national level. However, as of March 2021 the Basque Region is due new autonomous powers, one of which is the ability to establish and enforce a statutory minimum wage at the regional level. A consultation with Eurofound’s national correspondent\(^{124}\) suggested that the new powers would be enacted\(^{125}\), although that was not certain at the time of writing.

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\(^{120}\) Also reported in El Pais, 13.12.2019.
\(^{121}\) There is an estimate of some 240,000 public sector workers in the region.
\(^{122}\) Also reported in El Pais, 28.3.2019.
\(^{124}\) Associate Professor Oscar Molina, from the Universitat Autonoma de Barcelona.
\(^{125}\) Also including prisons, road transport and responsibilities for the coastline.
**B-MINCOME Barcelona**

The B-MINCOME pilot is not a minimum wage policy as such, but a scheme to raise income levels, partly in the interests of fairness but also to economic efficiency. Its origins are rooted in the aftermath of the financial crisis but only launched in 2016 and has been revisited more recently in the context of the Covid-19 pandemic, with the result of a national Vital Minimum Income schemes (Ingresso Minimal Vital – IMV), although the latter is somewhat restricted and is estimated to cover just 8% of the ‘in-poverty’ population.

B-MINCOME was established as a controlled two-year experiment (with built-in mixed-methods evaluation tools) with a random selection of 1,000 households in three of the city’s poorest districts and with a further 500 households in a control group chosen from the same area and with the same household characteristics. The selected households receive up to EUR 1,675, the amounts decided by their current income, housing costs and other variables. There is a strong link to employment and entrepreneurship in the social economy with participation in training, employment and community activities as part of the package of support. The evaluative results so far show positive change measured by reduced personal debt (including reliance on family and friends), reduced food poverty, greater levels of self-confidence, increased involvement in community affairs and an improvement in well-being (health improvements will take longer to assess). The interim findings on employability are mixed but with limited evidence so far of increased or improved employability, especially for those who were unemployed/long-term unemployed requiring more time and more support to alter their labour market situation. Now that the pilot is finished there are plans to track the progress of participants once the subsidy had finished, although some households now receive additional support through Covid-19 emergency funds.

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126 There are broadly comparable schemes in Finland and Netherlands.
Box 5. B-MINCOME pilot

Pilot scheme 2017-19 co-funded through the EU Innovative Actions and targeting support to 1,000 households (952 actually realised) with funding conditional on involvement in active labour market measures. Households supported were typically migrants, single parent households and other ‘unemployed’ households who ‘fall through the system’ including social security support that provides a minimum income for vulnerable households and which is generally administered by the LRAs in conjunction with the national state administrations. The B-MINCOME scheme found that housing costs in Barcelona are especially prohibitive. The pilot has ended and is not being extended although some elements are being mainstreamed as part of LRA policies including stronger links to the City administration’s policies to tackle unemployment, provide a training offer for individuals and identify vulnerable households. Those consulted within the city administration felt that this level of intense local level intervention was most effectively conducted at the city/local authority level.

3.4 Setting, enforcing, promoting and monitoring minimum wage – An overview from the case studies

3.4.1 The setting and enforcing of minimum wages

The LRAs, with few exceptions (including the autonomous overseas territories of Portugal), do not set or enforce the statutory minimum wage in those countries where the SMW applies. In all cases the national level of the Member States holds the legal powers and the capacity to set or enforce the SMW. In some cases, e.g. Germany, the Member State has utilised commissions comprising employer and employee bodies to set the minimum wage and to consider regional variations, but our research has shown a strong preference for rates that apply across the Member State, enforced either via a nationwide statutory minimum wage or via national collective agreements, in most cases at a sectoral/professional/trade level and going beyond wages to cover working conditions, qualifications and other related factors.

From our research this position is generally unchallenged by LRAs and we have not found a high level of interest from regions to do otherwise, although LRAs are aware of imbalances in respect of the cost of living and the purchasing power of the lowest paid groups, through their research and monitoring functions. As indicated in Section 2.2, there are exceptions, and some regions have debated having a formal role (e.g. the Catalan and Basque regions in Spain – and the Basque region might take-up newly granted autonomous powers).

Several reasons are given against a strong LRA role setting and enforcing a SMW, including the complexity of different arrangements, a lack of tradition and capacity, a lack of support – and in many cases, strong opposition – from employers and
social partners, and potential distortions to competition in terms of inward investment decisions (see also section 2.2). In contrast, regional government in Madeira and the Azores appears to have worked effectively with social partners to set, enforce, promote and monitor the SMW, but it is a smaller scale and less complexity than the position in most Member States.

LRAs, as a tier of government, are also largely absent from minimum wages processes dominated by collective agreements, where employers and social partners are the main players and the focus is sectoral rather than territorial. The ‘state’ is involved, normally at the national level, in providing and overseeing the legal frameworks (e.g. labour laws). One example of an exception from our research is in agriculture and forestry in Austria which is in the competence of the Länder. There could be scope to expand this approach further in other Member States.

3.4.2 LRAs promoting minimum wages

There are other ways in which LRAs can influence the minimum wage. Examples from our research include:

- The setting of a living wage, differentiated by the differing characteristics of territorial areas, as in Ireland. However, in this example, the political and practical disadvantages of differential rates (e.g. putting regions with a higher cost of living at a disadvantage in attracting foreign investment) have meant that the nationwide SMW prevails.

- There are several examples of LRAs, both regions and cities, influencing minimum wages within their direct spheres of influence – their employees, businesses offering public services through LRA procurement etc. In these cases, the focus is not just on fair wages but on overall working conditions. The example of Berlin is especially interesting as it is backed by a state administration law with a minimum wage linked to the higher cost of living in the city and covering those areas where the state has direct influence though its wage and employment policies. Berlin is also interesting as there is a direct link between the minimum wage policy and a solidarity charter aimed at the integration of the long-term unemployed into the labour market.

- There are also examples of cities that have voluntary agreements on minimum wages and employment conditions with some employers in specific sectors (e.g. a voluntary agreement for delivery riders in Bologna, as a subset of the digital platform workers with a significant increase in hourly rates as well as improved safety, working conditions and job security, but compliance relies on the goodwill of those employers who are signatories to the agreement).
• Providing data, intelligence and evaluation evidence to support social partners in making cases for regional factors to be taken into consideration in collective agreements (e.g. through top-ups etc.).

3.4.3 Gaps in LRA involvement in minimum wages

With some exceptions (e.g. as in Berlin above) the case studies indicate a missed opportunity to link actions in respect of minimum wages and wider socio-economic policies, including anti-poverty and social inclusion strategies. LRAs, and especially at the local level, have access to information and monitoring data to support targeted policy interventions, as well as access to voluntary organisations actively engaged with low paid groups. Often the focus is on the unemployed but the scope could be widened to include those on the minimum wage and lobby for additional support.

One avenue for LRAs is to extend their influence is through collective agreements. As outlined in section 2.2, the LRAs play an important role as major employers and social partners in Scandinavian countries. The case of agriculture and forestry in Austria is an example with the involvement of social partners at the level of the Länder. But, overall, the case study evidence shows little involvement of LRAs in the CA processes. This can be down to limited legal or technical capacity, and the fact that people employed by the LRAs tend to be remunerated above the MW level, as in the case of Ireland. This calls for more attention to be accorded to the role of the LRAs as social partners and more generally to the strengthening of the capacities of the social partners in the context of collective agreements.

Another area where LRAs can add value is in respect of border regions where there are significant differences in minimum wages (and in average wage levels). Austria highlighted the issue. The problem is greatest in regions bordering new Member States. Here legislation on posting of workers and against ‘social dumping’ could be enforced to avoid wage dumping. For seasonal work (especially agriculture and tourism), where labour shortage occurs at a regular pace, exceptions might be useful. But overall economic and social policy should work towards an increase of economic productivity, social standards and minimum wages in the new Member States.
4 Part 3: Main conclusions and recommendations

The study covered a range of aspects regarding the topic of ‘fair minimum wages’ using bibliographical sources, analyses of published data and six case studies. From the local and regional perspective, the following inter-connected and overlapping groups of findings, conclusions and recommendations stand out.

4.1 A controversial proposal but an underlying broad agreement on the objectives of the initiative on minimum wages

After going through a two-stage consultation process the initiative of the European Commission on minimum wages in the EU culminated in specific proposals for a Directive. These have triggered mostly negative responses, mainly because of the proposed use of a legally binding instrument and doubts about its legal basis. However, the overarching goal of the initiative, as stated by President von der Leyen “to ensure that every worker in our Union has a fair minimum wage” allowing “for a decent living wherever they work”, has been generally welcome. Moreover, the two-part concept of MW advocated – fairness and decent living – is reasonably robust in terms of being operationalised.

The MW is not the solution, but part of the solution

Irrespective of implementation avenue and instrument chosen for strengthening the MW framework in the EU, there is a strong case for more to be done along both its strands: fairness (reducing wage inequalities) and adequacy for a decent living. However, to make a success of the initiative and its goals we need to recognise and address some fundamental limitations of MW:

- MW does not cover various categories of economically active people, such as the self-employed workers, non-standard forms of employment, informal or undeclared work, and job seekers.

- In the pursuit of fairness, it is not enough to seek an upward convergence by raising MW closer to average wages. This process needs to be seen in the economic and employment context of regions and sectors in terms of productivity and labour market considerations. Especially in poorer regions it is not enough to raise MW closer to low average wages without raising wages overall through regional economic and employment development.
In the pursuit of a decent living level, MW is not a sufficient instrument on its own and needs to be used as part of an overall set of factors determining net income and its adequacy for decent living: taxation and social security contributions; household size; number and earning capacity of wage earners; complementary income support and social security benefits.

Capacities are lacking to gain the most out of MW – In countries where MW setting is based on CAs covering a very high proportion of workers, significant broader benefits have been noted (higher levels of MW, better compliance, responsiveness to economic and employment issues, etc.). However, this is not the case in the majority of Member States and, undoubtedly, the same applies across-the-board at regional and local level. Strengthening the capacities of LRAs and social partners at sub-national level can make a valuable contribution to CAs, and to broadening the relevance of SMW.

Recommendations:

- Member States (and LRAs) should ensure that MW decisions are embedded in social and economic development policies that also include anti-poverty, up-skilling/training, re-skilling/qualification and other measures.

- Capacity building should be supported for CAs – social partners and LRAs – targeting funding support from the ESF, as appropriate.

4.2 Minimum wages: A national-level instrument with a pronounced regional dimension

Setting a national MW is the generally accepted norm, reflecting the prevailing institutional arrangements and processes for setting SMW or negotiating national sector-wide CAs and an implicit assumption that any regional variations in the cost of living and ultimately the ‘adequacy’ for a decent living could (and should) be addressed through other complementary means, notably taxation and social security support.
The regional dimension of minimum wages is largely ignored or overlooked

Although a sizeable body of research is devoted to different aspects and potential effects of minimum wages, the debate remains inconclusive largely due to the large number of parameters affecting the final outcomes. Indeed, such debates are often controversial, with different economic theories and models leading to different – and even contradictory – results.

In this rather incoherent context, the regional dimension of minimum wages is largely overlooked. The extensive Impact Assessment accompanying the Commission’s proposed Directive pays little attention to the territorial level. It considers regional differences between the share of MW wage earners between ‘thinly’, ‘intermediate’ and ‘densely’ populated areas and these are attributed to sectoral variations. This may lead to the conclusion that regional differences do not matter much.

However, generally a territorial analysis is not presented. Our analysis has shown that wage levels differ significantly at regional level, where patterns vary between sectors. As a result, there is a highly diversified picture of employees in low-paid sectors and low-income regions where the remuneration might not allow for an adequate living. Conversely, there are often regions with high wage levels, where the MW may not secure an adequate living in low-pay sectors due to high costs of living. These territorial aspects are missing from the impact assessment.

**Recommendations:**

- The European Commission should undertake a full in-depth assessment of the territorial aspects of minimum wages.
- The wording of the proposed Directive (Article 6) should be clarified to provide for justified regional variations and add-ons to statutory minimum wages.

4.3 Addressing the inadequacy of universal national minimum wages to take into account the regional dimension

Our analyses of Eurostat NUTS 2 data have covered GDP, wage and minimum wages by region, as well as by sector. They show significant variations in the majority of Member States and an inadequacy of universal national MW to take them into account.
The key challenges arise from:

- **The urban/rural divide – ‘Correcting’ the MW through add-ons:** There is a clear divide between urban and rural regions with the highest and lowest GDP levels. 40% of the population of EU 27 lives in (predominantly) urban regions and 21% in predominantly rural regions. Wage levels are higher in urban regions and jobs paid around the MW level may not ensure a decent living. Therefore, add-ons for MW in urban regions should be considered as a way to cover higher living costs and higher productivity. For rural areas a more differentiated consideration of the sectoral composition of jobs and the actual costs of living is necessary to judge any potential actions.

- **The poor/rich region divide – Better / higher wages in poor regions with low-pay sectors:** The regions with a low average pay and a predominance of low-pay sectors the issue of (average) wage levels is more critical than the level of MW. The labour productivity in these regions is generally lower than in the national average. Therefore, setting higher minimum wages might stress enterprises as the labour productivity does not allow for higher MW. They could also push people into precarious working arrangements (e.g. in agriculture, tourism), where employment is eroded by the informal economy (black labour, bogus self-employment). Public policies need to support measures enhancing labour productivity (e.g. through qualification of employees and upgrading of infrastructure) and strengthening compliance with MW.

Old and new specific challenges:

- **Border regions – Exploring the scope for targeted exceptions:** Cross-border regions with significant wage differences across the border, face pressure on wages in the regions with higher wage levels and a drain of qualified workers in the regions with lower wage levels. This might cause friction on the respective domestic labour markets. In such regions specific provision might be useful to mitigate regional problems of labour shortages. This could range from the strict enforcement of MW provisions in regions with higher wages, to bonuses or add-ons to MW in regions with low wage levels, in order to reduce the drain of qualified work force. In specific low-wage sectors (especially in seasonal jobs in tourism and agriculture) it is important to prevent a downward spiral on wages (e.g. through strict control of the posting of worker legislation).

- **New types of employment:** Much can be learnt on the nature of the new challenges and the lessons from voluntary initiatives, such as that of Bologna where the city authority has an agreement to support the working conditions
of digital platform workers (specifically food delivery riders in this example) but with the scope to branch into other forms of platform work.

**A cross-cutting challenge – Setting a regional baseline in the absence of regional rates of minimum wage:**

- Although the regional variations point towards regional MW rates, this is not actively advocated by any side in the current debate. In all cases the national level of the Member States holds the legal powers and the capacity to set or enforce the SMW, and this is something that both the LRAs (in our case studies) and the Commission proposals accept.

- In the absence of regional MW, it would be valuable to establish baselines or benchmarks against which to judge the adequacy for decent living in setting MW and inform the pursuit of measures complementing minimum wages. The case studies have identified sound practices regarding the definition of a ‘living wage’ (and ‘living family income’) at regional level (e.g. Ireland) and in the specific context of major cities (e.g. Barcelona and Berlin’s minimum income schemes).

**Recommendations:**

- LRAs (and Member States) should seek to customise social and economic development policies and measures to take account of regional specificities, such as metropolitan areas, poorer regions, border regions and areas with a strong presence of new types of employment.

- LRAs should propose an objective baseline or benchmark regarding MW levels, in the form of a regional ‘living wage’.

**4.4 Harnessing the potential of LRAs to deliver fair minimum wages**

The LRAs, with very few exceptions, do not set or enforce the statutory minimum wage in those countries where the SMW applies, nor determine pay levels in CAs. However, there are other ways in which LRAs can influence the minimum wage at different stages of the process:
**In procurement:** LRAs use public procurement contracts to insist on payment of MW, e.g. in DE seven Länder have their own minimum wages for procurement purposes, and in autonomous regions in PT and ES regional MW is actively enforced.

There are several examples of LRAs, both regions and cities, **influencing minimum wages within their direct spheres of influence** – their employees, LRA procurement, enterprises offering LRA-level public services etc. – with varying degrees of sophistication (e.g. in Berlin it extends to businesses where the State administration has a financial stake or interest).

There are also examples of cities that **have voluntary agreements on minimum wages and employment conditions** with some employers in specific sectors, as in the example of Bologna, where there is a voluntary agreement for some categories of digital platform workers).

**A wide range of monitoring activities can provide data and evaluation evidence** in defining and proposing regional living wages as an input to SMW setting. They can also **promote wage transparency and feed intelligence** to support social partners in making cases for regional factors to be taken into consideration in collective agreements (e.g. through top-ups etc.).

Therefore, the LRAs have much potential for an active involvement and contribution at all stages of the MW ‘cycle’ as summarised in the following table.

**Table 4. Actual and potential role of LRAs in minimum wages**

<table>
<thead>
<tr>
<th>MW stage</th>
<th>Actual role of LRAs</th>
<th>Potential role of LRAs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Setting</td>
<td>As a tier of government: Very limited, e.g. in Portuguese autonomous regions and in Member States following tripartite consultations in setting SMW. As employers: Major role in wage setting in some CA countries (but undifferentiated from other employers).</td>
<td>Seeking a ‘place at the table’, even if limited to consultation processes. Proposing a benchmark regional ‘living wage’ as reference value on adequacy. Proposing (limited) add-ons to national MW in regions with high costs of living or regional exceptions (e.g. border regions).</td>
</tr>
<tr>
<td>Enforcing</td>
<td>As a tier of government: Limited, mainly through general rules of procurement and ad hoc city-level initiatives for ‘enhanced MW’/minimum income.</td>
<td>Assist and promote compliance, especially through procurement within their sphere of influence. In procurement and direct employment, follow good practice in non-mandatory, ‘preference’ and ‘enhanced MW’ clauses.</td>
</tr>
</tbody>
</table>
| Promoting | As a tier of government: | Voluntary agreements for particular sectors/occupations.  
Limited, mainly: ad hoc city-level initiatives for enhanced MW/minimum income; offering a role model through their own wage schemes they may try to create a stimulus on the overall wage level.  
Conduct labour market assessments in support of wage transparency and social partners’ involvement in SMW and CAs.  
Develop regional ‘living wage’ assessments as the basis for reference values on adequacy on minimum wages and minimum incomes.  
Propose as appropriate (limited) add-ons to NMW in regions with high costs of living, or regional exceptions (e.g. border regions).  
Assist and promote compliance, especially within their sphere of activity and influence.  
Follow good practice in non-mandatory ‘preference’ and ‘enhanced MW’ clauses, in procurement and direct employment.  
Promote voluntary agreements for particular sectors/occupations, such as new types of employment.  
Monitoring key parameters, providing data, intelligence, evidence; feeding into the other stages.  
Producing regional ‘living wage’ assessments.  
Systematic ‘living wage’ monitoring in border regions; wage transparency. |
|---|---|---|
| Monitoring | As a tier of government: | Limited to the above promotion initiatives & the more formal role of Portuguese autonomous regions.  
Limited to the above promotion initiatives & the more formal role of Portuguese autonomous regions.  
Monitoring key parameters, providing data, intelligence, evidence; feeding into the other stages.  
Producing regional ‘living wage’ assessments.  
Systematic ‘living wage’ monitoring in border regions; wage transparency. |

**Recommendations:**
- The CoR should encourage and support the gathering, sharing and take up of good practices in LRA involvement in MW.
- The LRAs should:
  - Conduct labour market assessments in support of wage transparency and social partners’ involvement in SMW and CAs.
  - Develop regional ‘living wage’ assessments as the basis for reference values on adequacy on minimum wages and minimum incomes.
  - Propose as appropriate (limited) add-ons to NMW in regions with high costs of living, or regional exceptions (e.g. border regions).
  - Assist and promote compliance, especially within their sphere of activity and influence.
  - Follow good practice in non-mandatory ‘preference’ and ‘enhanced MW’ clauses, in procurement and direct employment.
  - Promote voluntary agreements for particular sectors/occupations, such as new types of employment.
  - Monitoring key parameters, providing data, intelligence, evidence; feeding into all stages of MW process.
Annex 1: Main sources of information


Albinowski M., Lewandowski P. (2020): The heterogenous regional effects of minimum wages in Poland. ibs working paper 04/2020, June 2020


CEMR (2020a), Response of the CEMR expert group of LRGs as employers to the first phase consultation of Social Partners under Article 154 TFEU on a possible action addressing the challenges related to fair minimum wages. Council of European Municipalities and Regions. www.ccre.org

CEMR (2020b), Reply of the CEMR Expert Group of Local and Regional Governments as Employers to the second phase consultation of Social Partners on possible EU action addressing the challenges related to fair minimum wages. Council of European Municipalities and Regions. www.ccre.org


COM (2020cRSB){SEC(2020) 362 final} – Regulatory Scrutiny Board Opinion

COM (2020cIA){SWD(2020) 245 final} - Staff Working Document and Impact Assessment


COR (2020), Opinion: A Strong Social Europe for Just Transitions, SEDEC-VII/004


EP (2020a), Briefing: Fair minimum wages for Europe, Brussels, PE 942.386 – September 2020


EPRS (2020a), Fair minimum wages in the EU - Pre-legislative synthesis of national, regional and local positions on the European Commission's initiative, Briefing by European Parliamentary Research Service PE 659.306 – October 2020

EPRS (2020b), Minimum wage in the EU, Briefing by European Parliamentary Research Service, PE 659.294 – October 2020

EPSU-CEMR (2020) Joint reaction to the ‘First phase consultation of Social Partners under Article 154 TFEU on a possible action addressing the challenges related to fair minimum wages’. Brussels

ETUI (2020), The European minimum wage on the doorstep; by Torsten Müller and Thorsten Schulten, ETUI Policy Brief, N° 1/2020, European Economic, Employment and Social Policy


Eurofound (2018), Concept and practice of a living wage, Publications Office of the European Union, Luxembourg
Eurofound (2020a): What Europe can learn from living-wage campaigns
https://www.eurofound.europa.eu/publications/blog/what-europe-can-learn-from-living-wage-campaigns


Eurofound (2021): Minimum wages in 2021: Most countries settle for cautious increase

Eurocities (2019): Breaking free of poverty

Eurocities (2020a): What impact from COVID-19 on employment?

Eurocities (2020b): A stronger social Europe powered by inclusive cities


IBS Working paper 04/2020, Maciej Albinowski and Piotr Lewandowski: The heterogenous regional effects of minimum wages in Poland

ILO (1970), Minimum Wage Fixing Convention, Convention C131 - Minimum Wage Fixing Convention, 1970 (No. 131) (ilo.org)


ILO (2021), Global Wage Report 2020-21, Wages and minimum wages in the times of COVID-19


SGI Europe (CEEP) (2020a), Second phase consultation of social partners on a possible action addressing the challenges related to fair minimum wages. Brussels, 4.9.2020


Annex 2: Stakeholder consultations

Austria

Absenger Bettina, Social Welfare Office, City of Graz (written statement, 8.1.2021)

Hammer Lisa, Austrian Association of Cities and Towns (Österreichischer Städtebund) – interviews and feedback from some members, January 2021

Hämmerle Hubert, Government office of Vorarlberg (written statement, 27.1.2021)

Herbst Gerhard, Department for future development, labour market and housing, Government office of the Kärnten (interview 29.1.2021)

Polleros-Höchstätter Kirstin, Federation of trade unions, Styrian office (interview 19.1.2021)

Schleinbach Peter, Trade union for production (interview 21.1.2021)

Seibold Eva; Department for Economy, Labour and Statistics, City of Vienna (interview and written statement, January 2021)
Stupar Ingomar, Department for social policies and health, Chamber of Commerce (interview 2.2.2021)

Germany

Reichert Karin, European Employment Policy (State of Berlin)

Schröder Christoph, Senior Researcher, Institut der deutschen Wirtschaft Köln e.V., Eurofound Germany expert (exchange of emails)

Ireland

Humphreys Eileen, Researcher, Urban and Rural Community Development Department, Community Development Directorate, Limerick City and County Council (interview 15.1.2021 and by exchange of emails)

Keane Robert, Research Unit, Local Government Management Agency (interview 5.2.2021)
O’Donoghue Hynes Bernie, Head of Research, Local Government Management Agency (interview 5.2.2021 and by exchange of emails)

Power Brian, Procurement Expert, Local Government Management Agency (interview 10.2.2021)

Prendergast Andy, Legal editor IRN, Eurofound Ireland correspondent (interview 29.1.2021 and by exchange of emails)

**Italy**

Lombardo Marco, Deputy Mayor, City of Bologna (interview 5.2.21)

Ludicone Feliciano, FGB minimum wage expert (interview 4.2.21 and by exchange of emails)

Martinese Francesca, Head of International Relations, City of Bologna (interview 27.1.21 and by exchange of emails)

Pedersini Roberto, University of Milan, Eurofound Italy expert (by exchange of emails)

**Portugal**

Cardoso Fernanda, Regional Director for European Affairs, Regional Government of Madeira (interview 10.2.2021 and by exchange of emails)

Medeiros Renato, Director of Services, Regional Secretariat for Youth, Professional Qualification and Employment, Regional Government of the Azores (by exchange of emails)

Pacheco Amaral Carlos, Regional Director for European Affairs and External Cooperation (by exchange of emails)

da Paz Campos Lima Maria, Centre for Studies for Social Intervention (CESIS), Eurofound Portugal correspondent (by exchange of emails)

dos Santos Ferreira Joana, ANMP (National Association of Portuguese Counties) (by exchange of emails)
Spain

Laín Bru, University of Barcelona (interview 19.2.21)

Molina Oscar, University Autonoma de Barcelona, Eurofound Spain expert (by exchange of emails)

Lluís Torrens Mèlich, Director of Social Innovation, Ajuntament de Barcelona (interview 19.2.21)

Other consultations

Afellat Guillaume, Policy Advisor, SGI Europe (interview 13.1.2021)

Aumayr-Pintar Christine, Eurofound (interview 8.1.2021 and by exchange of emails)

Blaziene Inga, Eurofound Lithuania expert (exchange of emails)

Ebner Leonardo, Policy Officer, Employment and public services, CEMR (interview 17.12.2020 and by exchange of emails)

Faragau, Bianca, Eurocities, by exchange of emails

Hansen Peter, Region Sønderjylland – Schleswig, AEBR Task Force on Cross-border Labour Market (interview 3.2.2021)

Hatlevoll Tor, Senior Advisor, Labour Market Department, SKR-SALAR, (interview 8.2.2021)

Hůlková Gabriela, Section of Regional Development and International Relations, Union of Towns and Municipalities of the Czech Republic (by exchange of emails)


Looberger Malin, EU expert / Senior Negotiator, SKR-SALAR, (interviews 8.1.2021 and 3.2.2021 and by exchange of emails)

Molica Francesco, Regional Policy Director, CPMR (interview 5.1.2021)

Rønnov Jensen Pia, Senior Adviser EU Affairs, Danish Regions (by exchange of emails)
Smith Rebekah, Deputy Director Social Affairs, Business Europe (by exchange of emails)

Struve Tanja, German County Association Brussels (interview 14.1.2021)


The initiative of the European Commission on Adequate Minimum Wages in the EU emanates from the European Pillar of Social Rights\(^{127}\) and the current Commission’s priorities and programme.

The European Commission’s commitment to set fair minimum wages in the EU was spelt out by President Ursula von der Leyen in her July 2019 Political Guidelines\(^ {128}\), announcing the intention to propose “a legal instrument to ensure that every worker in our Union has a fair minimum wage”, as part of “an action plan to fully implement the European Pillar of Social Rights”. In so doing, she stressed that “minimum wages should be set according to national traditions, through collective agreements or legal provisions”, and that she was “a firm believer in the value of social dialogue between employers and unions, the people who know their sector and their region the best”\(^ {129}\).

As part of this initiative, the Commission conducted a two-stage consultation of social partners under Article 154 TFEU (phase 1 on possible direction and phase 2 on content). Phase 1 was launched on 14 January 2020 and in its Consultation document\(^ {130}\) the Commission, inter alia, stressed the added value of fair minimum wages as these contribute to preventing in-work poverty and reducing wage inequality\(^ {131}\).

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\(^{127}\) Principle 6 (Wages) states that “Adequate minimum wages shall be ensured, in a way that provide for the satisfaction of the needs of the worker and his / her family in the light of national economic and social conditions, whilst safeguarding access to employment and incentives to seek work. In-work poverty shall be prevented”.

\(^{128}\) A Union that strives for more, My agenda for Europe: Political Guidelines for the Next European Commission 2019-2024.

\(^{129}\) EPRS (2020a).


\(^{131}\) EP (2020a).
Phase 2 was launched on 3 June 2020, with the Commission providing a more detailed analysis in an accompanying document. In the Consultation document, in addition to highlighting a strong involvement of social partners, the Commission put strengthening of collective bargaining in wage setting as first policy objective, clarifying that complete coverage should be achieved. Overall, the objectives of the EU initiative settled on ensuring that:

- Well-functioning collective bargaining in wage-setting is in place;
- National frameworks allow for statutory minimum wages to be set and regularly updated according to clear and stable criteria;
- Social partners are effectively involved in statutory minimum wage setting to support minimum wage adequacy;
- Minimum wage variations and exemptions are eliminated or limited;
- National minimum wage frameworks are effectively complied with and monitoring mechanisms are in place.

Following the two-stage consultation, the European Commission published on 28 October 2020 its proposal for a directive on adequate minimum wages in the European Union. It was treated as a watershed in the history of European social and economic integration, since for the first time the Commission was initiating legislative action not only to ensure fair minimum wages but also to strengthen collective bargaining.

The proposal considers Article 153 of TFEU to be the appropriate legal basis for an EU initiative on fair minimum wages. It specifically states that “insofar as wages, including minimum wages, are a key component of working conditions, the initiative could be based on Article 153 (1) (b) TFEU on ‘working conditions’”. This is an issue that proved controversial in the consultations (see stakeholders’ positions, below), since clause (5) of the same Article establishes that “the provisions of this Article shall not apply to pay”. The proposal has opted for the interpretation that “remuneration is regarded as part of working conditions”.

The proposed directive is a fairly short and not very detailed document. Its key provisions on promotion of collective bargaining and adequacy of statutory minimum wages are presented in Box 6, below. Under horizontal provisions, it also covers public procurement and monitoring and data collection. It is noteworthy that

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134 “Recent initiatives using Article 153 TFEU as legal basis (e.g. the 2019 Directive on work-life balance for parents and carers and the 2019 Directive on transparent and predictable working conditions) already touch indirectly on different aspects of pay, whereby remuneration is regarded as part of working conditions, as referred to in Article 153 (1) (b)”. (COM (2020cIA) pp 21-22).
there is no binding criterion for the assessment of adequacy of statutory minimum wages. Instead, the draft suggests that every Member State should find its own definition of adequacy, using four groups of criteria relating to: the purchasing power of the minimum wage; the gross wage level; distribution and growth rate; and labour productivity developments. It should also be noted that the provisions of Chapter II apply only to Member States with statutory minimum wages.

**Box 6. Proposal for a directive on adequate minimum wages in the EU (key provisions)**

**CHAPTER I - GENERAL PROVISIONS**

**Article 1**

Subject matter

1. With a view to improving working and living conditions in the Union, this Directive establishes a framework for:
(a) setting adequate levels of minimum wages;
(b) access of workers to minimum wage protection, in the form of wages set out by collective agreements or in the form of a statutory minimum wage where it exists.

**Article 2**

Scope

This Directive applies to workers in the Union who have an employment contract or employment relationship as defined by law, collective agreements or practice in force in each Member State, with consideration to the case-law of the Court of Justice of the European Union.

**Article 4**

Promotion of collective bargaining on wage setting

1. With the aim to increase the collective bargaining coverage Member States shall take, in consultation with the social partners, at least the following measures:
(a) promote the building and strengthening of the capacity of the social partners to engage in collective bargaining on wage setting at sector or cross-industry level;
(b) encourage constructive, meaningful and informed negotiations on wages among social partners;
2. Member States where collective bargaining coverage is less than 70% of the workers defined within the meaning of Article 2 shall in addition provide for a framework of enabling conditions for collective bargaining, either by law after consultation of the social partners or by agreement with them, and shall establish an action plan to promote collective bargaining. The action plan shall be made public and shall be notified to the European Commission.

**CHAPTER II - STATUTORY MINIMUM WAGES**

**Article 5**

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135 COM (2020c).
**Adequacy**

1. Member States with statutory minimum wages shall take the necessary measures to ensure that the setting and updating of statutory minimum wages are guided by criteria set to promote adequacy with the aim to achieve decent working and living conditions, social cohesion and upward convergence. Member States shall define those criteria in accordance with their national practices, either in relevant national legislation, in decisions of the competent bodies or in tripartite agreements. The criteria shall be defined in a stable and clear way.

2. The national criteria referred to in paragraph 1 shall include at least the following elements:

   (a) the purchasing power of statutory minimum wages, taking into account the cost of living and the contribution of taxes and social benefits;

   (b) the general level of gross wages and their distribution;

   (c) the growth rate of gross wages;

   (d) labour productivity developments.

3. Member States shall use indicative reference values to guide their assessment of adequacy of statutory minimum wages in relation to the general level of gross wages, such as those commonly used at international level.

4. Member States shall take the necessary measures to ensure the regular and timely updates of statutory minimum wages in order to preserve their adequacy.

5. Member States shall establish consultative bodies to advise the competent authorities on issues related to statutory minimum wages.

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**Stakeholders’ positions**

The Commission initiative on minimum wages has triggered a lively debate on the subject of a ‘fair’ minimum wage and the desirability of pursuing it at EU level. There were many arguments and queries raised during the two stages of consultation by stakeholders. Some of them have already taken a position on the proposed Directive published by the Commission on 28 October 2020, but as this has been happening concurrently with this study, it has not been possible to cover them beyond mid-January 2021.

Overall, there is a broad expression of support for action towards the aspirations of European Pillar of Social Rights or general goals such as “achieving adequate wages across the EU, making work pay, fighting poverty”\(^\text{136}\) and “stronger collective bargaining mechanisms”.\(^\text{137}\)

However, the stakeholder positions diverge considerably on the desirability of a legally binding instrument at EU level. The Nordic countries in particular have

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\(^{137}\) EPSU, ETUC.
been expressing serious concerns. For instance, in the case of Denmark, the social partners\textsuperscript{138} published a joint tripartite statement with the government outlining their reasons against the EU minimum wage initiative. The common concern among social actors in these countries is the potential interference of the EU initiative with national wage bargaining traditions and that a legally binding EU instrument could prove damaging.

Employers are generally against a directive, with Business Europe considering “\textit{an EU directive to be the wrong instrument, handing over power to the legislator and to the courts, not to the social partners}”.\textsuperscript{139} Other employer organisations, e.g. SGI Europe, have raised their objections in the form of questions.\textsuperscript{140}

Support for a European initiative has been less specific and has been expressed mostly by trade unions and social policy stakeholders. The European Trade Union Confederation (ETUC) is supportive of European policies to achieve adequate minimum wages, putting these into the context of wider wage policies and stronger collective bargaining mechanisms and calling for a directive.\textsuperscript{141} However, there have also been dissenting voices, as in the case of EPSU which in a joint statement with CEMR\textsuperscript{142} has expressed reservations and taken the position that “wages are best set through collective agreements”.\textsuperscript{143}

The main specific support has come from stakeholders in the field of social policy arguing in favour of Member States establishing a minimum threshold of 60% median wage, while prioritising an EU framework directive on minimum income (European Anti-Poverty Network, EAPN).\textsuperscript{144}

Overall, in this debate, stakeholders expressing objections or reservations, have backed alternatives. As regards the issue of EU competencies in this field, it has been argued that a Council Recommendation and greater use of the European Semester would be an appropriate way to pursue the objectives of the initiative. It has also been argued that capacity building of social partners should be boosted to strengthen collective bargaining.

It should be noted that so far in this debate, LRAs have acted as employers and in

\textsuperscript{138} Danish Trade Union Confederation (FH) and confederation of Danish Employers (DA) published a joint tripartite statement with the government ahead of the Commissioner’s visit to Denmark in which they outlined their reasons against the EU minimum wage initiative (Eurofound (2020b), p 5).

\textsuperscript{139} BusinessEurope, \textit{Op. cit.}


\textsuperscript{141} E.g. ETUC’s position (ETUC (2020), Reply of ETUC to 2\textsuperscript{nd} Phase Consultation of Social Partners […]).

\textsuperscript{142} Acting as local and regional government social partners.

\textsuperscript{143} CEMR (2020a), Response of the CEMR expert group of LRGs as employers to the first phase consultation of Social Partners under Article 154 TFEU […].

\textsuperscript{144} EP (2020a).
this regard during the consultations the CEMR did not support an EU directive, considering that it “would lack proportionality” and “infringe the principle of subsidiarity”. A Council recommendation was assessed less critically by the CEMR but was nevertheless seen as bearing ‘considerable risks’ for national minimum wage-setting systems. Moreover, according to the CEMR, the Commission was failing to show “a clear link between a more harmonised European system of wage setting and the improvement of living and working conditions”.145

At an early stage of the consultations the EESC adopted an exploratory opinion, in which the “specific objectives and policy measures have been welcomed by a majority of EESC members” but which also recognised that their concerns “that the EU has no competence to act on ‘pay’, including pay levels, and that such action could interfere with the social partners’ autonomy and undermine collective bargaining systems”.146

The CoR has not expressed any specific position during the consultations. However, it has underlined that “any European initiative on minimum wage must not be one-size-fits-all … [and] … well-functioning collective bargaining and comprehensive collective agreements are the primary method of achieving fair wages and setting other working conditions”.147 In the past, in a 2015 opinion on ‘Standards of remuneration in employment in the EU’ the CoR148 had taken a specific view on ‘minimum wages and decent wages’ including:

- affirms that poverty and social exclusion impede a decent existence, thus undermining people’s fundamental rights and suggests that all Member States should ensure a decent existence for people […] and should pursue policies, especially labour market and social policies, that ensure fair wages over the working life cycle;

- maintains therefore that Member States should be encouraged to adopt an indicative fair wage, geared towards the use of 60 % of median wage as a benchmark, and based on reference budgets, which are a package of goods and services an individual needs to live at a decent level, together with a set of equitable terms and conditions of employment.

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145 CEMR (2020b), Reply of the CEMR Expert Group of Local and Regional Governments as Employers to the second phase consultation of Social Partners […]
148 COR (2016).
Annex 4: Selected data on wage levels and regional characteristics at NUTS 2 level

The following data provide information on regions sorted by the average wage in percent of the national MW (in PPS). Table 5 and Table 6 show regions with highest and lowest GDP levels (above 120% and below 75% of national GDP levels). In all NUTS 2 regions with an average compensation of all employees lower than double of the MW are presented (this corresponds to the threshold of a MW to be set at 50% of the average wage). 0 (NACE A: agriculture) and 0 (NACE G-J: wholesale and trade etc.) show indicators on wage levels in these sectors and include further relevant indicators on

- GDP in % national average in PPS, 2018 (Regional GDP levels);
- Average compensation (2017) in % of national MW (2020) for all employees;
- Regional growth of gross wage in relation to the national average (regional wage growth);
- Shares of employment compared to national average in relevant sectors (regional employment shares);
- Labour productivity in % of national labour productivity 2017, calculated at GVA/hours worked (Regional labour productivity);
- People at risk of poverty or social exclusion by NUTS 2 regions in %, 2019 (Risk of poverty rate)
- Unemployment rates 2019 (Unempl)

In order to keep the information at presentable level, the approach to present indicators focused on those where relevant differences could be observed.

Table 10 shows national MW in EUR and PPS, regional GDP in PPS and gross wages (as % of national averages) in border regions between old and new Member States in Central Europe. It also includes the shares of employment in agriculture compared to the national average (as this has been the only sectoral employment indicators showing clear patterns).

Sources of the tables are own calculations based on Eurostat regional statistics (NAMA for employees and compensation, GDP_PPP for GDP, EARN_MW for minimum wages at nation levels, PRC_PPP for price level indices, ILC_PEPS for People at risk of poverty, LFST for unemployment).

Columns in bold are those which have been used for sorting the regional data.
Table 5. Wage levels in NUTS 2 regions with an average GDP per capita level higher than 120% of the national MW (in PPS)

<table>
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<tr>
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<th></th>
<th></th>
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<td>Bratislavský kraj</td>
<td>236%</td>
<td>344%</td>
<td>106%</td>
<td>106%</td>
<td>128%</td>
<td>7.9</td>
<td>2.4</td>
</tr>
<tr>
<td>RO32</td>
<td>Bucuresti - Ilfov</td>
<td>231%</td>
<td>321%</td>
<td>119%</td>
<td>119%</td>
<td>160%</td>
<td>14</td>
<td>2.5</td>
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<td>PL91</td>
<td>Warszawski stoleczny</td>
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<td>400%</td>
<td>93%</td>
<td>93%</td>
<td>144%</td>
<td>n.a.</td>
<td>2.1</td>
</tr>
<tr>
<td>CZ01</td>
<td>Praha</td>
<td>211%</td>
<td>406%</td>
<td>128%</td>
<td>128%</td>
<td>130%</td>
<td>7.9</td>
<td>1.3</td>
</tr>
<tr>
<td>HU11</td>
<td>Budapest</td>
<td>204%</td>
<td>253%</td>
<td>101%</td>
<td>101%</td>
<td>132%</td>
<td>15.6</td>
<td>2.5</td>
</tr>
<tr>
<td>BE10</td>
<td>Région de Bruxelles-Capitale</td>
<td>172%</td>
<td>342%</td>
<td>88%</td>
<td>88%</td>
<td>174%</td>
<td>n.a.</td>
<td>12.6</td>
</tr>
<tr>
<td>FR10</td>
<td>Île de France</td>
<td>171%</td>
<td>297%</td>
<td>n.a.</td>
<td>n.a.</td>
<td>n.a.</td>
<td>n.a.</td>
<td>8.1</td>
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<td>Yugojapaden</td>
<td>162%</td>
<td>284%</td>
<td>110%</td>
<td>110%</td>
<td>120%</td>
<td>22.6</td>
<td>2.3</td>
</tr>
<tr>
<td>ITH1</td>
<td>Provincia Autonoma di Bolzano</td>
<td>161%</td>
<td>391%</td>
<td>133%</td>
<td>133%</td>
<td>70%</td>
<td>11.5</td>
<td>2.9</td>
</tr>
<tr>
<td>DE60</td>
<td>Hamburg</td>
<td>161%</td>
<td>266%</td>
<td>121%</td>
<td>121%</td>
<td>94%</td>
<td>23.7</td>
<td>3.6</td>
</tr>
<tr>
<td>DE21</td>
<td>Oberbayern</td>
<td>145%</td>
<td>265%</td>
<td>99%</td>
<td>99%</td>
<td>111%</td>
<td>14.8</td>
<td>1.9</td>
</tr>
<tr>
<td>LT01</td>
<td>Sostines regionas</td>
<td>145%</td>
<td>271%</td>
<td>101%</td>
<td>101%</td>
<td>103%</td>
<td>21.2</td>
<td>4.4</td>
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<td>Comunidad de Madrid</td>
<td>136%</td>
<td>270%</td>
<td>92%</td>
<td>92%</td>
<td>123%</td>
<td>19.0</td>
<td>10.6</td>
</tr>
<tr>
<td>SE11</td>
<td>Stockholm</td>
<td>135%</td>
<td>236%</td>
<td>113%</td>
<td>113%</td>
<td>116%</td>
<td>14.8</td>
<td>6.1</td>
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<tr>
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<td>Attiki</td>
<td>135%</td>
<td>240%</td>
<td>104%</td>
<td>104%</td>
<td>10%</td>
<td>24.8</td>
<td>16.9</td>
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<tr>
<td>ITC2</td>
<td>Valle d’Aosta</td>
<td>133%</td>
<td>357%</td>
<td>110%</td>
<td>110%</td>
<td>89%</td>
<td>8.1</td>
<td>6.5</td>
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<td>ITC4</td>
<td>Lombardia</td>
<td>132%</td>
<td>382%</td>
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<td>99%</td>
<td>93%</td>
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<td>5.6</td>
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<td>NL32</td>
<td>Noord-Holland</td>
<td>131%</td>
<td>260%</td>
<td>109%</td>
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<td>108%</td>
<td>17.0</td>
<td>3.2</td>
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<tr>
<td>PT17</td>
<td>Area Metropolitana de Lisboa</td>
<td>130%</td>
<td>283%</td>
<td>106%</td>
<td>106%</td>
<td>118%</td>
<td>17.8</td>
<td>7.2</td>
</tr>
<tr>
<td>ITH2</td>
<td>Provincia Autonoma di Trento</td>
<td>130%</td>
<td>349%</td>
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<td>106%</td>
<td>67%</td>
<td>14.0</td>
<td>5.1</td>
</tr>
<tr>
<td>ES21</td>
<td>País Vasco</td>
<td>129%</td>
<td>270%</td>
<td>82%</td>
<td>82%</td>
<td>107%</td>
<td>14.4</td>
<td>9.2</td>
</tr>
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<td>Darmstadt</td>
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<td>104%</td>
<td>13.5</td>
<td>3.1</td>
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<td>FI1B</td>
<td>Helsinki-Uusimaa</td>
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<td>10.1</td>
<td>6.4</td>
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<td>Hovedstaden</td>
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<td>5.1</td>
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<td>ITH5</td>
<td>Emilia-Romagna</td>
<td>124%</td>
<td>359%</td>
<td>101%</td>
<td>101%</td>
<td>85%</td>
<td>15.5</td>
<td>5.6</td>
</tr>
<tr>
<td>NL31</td>
<td>Utrecht</td>
<td>123%</td>
<td>254%</td>
<td>92%</td>
<td>92%</td>
<td>134%</td>
<td>15.6</td>
<td>2.9</td>
</tr>
<tr>
<td>DE50</td>
<td>Bremen</td>
<td>122%</td>
<td>232%</td>
<td>111%</td>
<td>111%</td>
<td>101%</td>
<td>26.5</td>
<td>5.1</td>
</tr>
<tr>
<td>ES22</td>
<td>Comunidad Foral de Navarra</td>
<td>122%</td>
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<td>78%</td>
<td>90%</td>
<td>11.7</td>
<td>8.2</td>
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<tr>
<td>AT32</td>
<td>Salzburg</td>
<td>120%</td>
<td>223%</td>
<td>127%</td>
<td>127%</td>
<td>103%</td>
<td>14.4</td>
<td>2.4</td>
</tr>
<tr>
<td>SI04</td>
<td>Zahodna Slovenija</td>
<td>120%</td>
<td>249%</td>
<td>106%</td>
<td>106%</td>
<td>123%</td>
<td>11.5</td>
<td>4.0</td>
</tr>
</tbody>
</table>

Table 6. Wage levels in NUTS 2 regions with an average GDP per capita level lower than 75% of the national MW (in PPS)

149 Wholesale, retail trade, transport, accommodation and food service activities.
150 Professional, scientific and technical activities; administrative and support service activities.
151 Arts, entertainment and recreation; other service activities; activities of household and extra-territorial organisations and bodies.
<table>
<thead>
<tr>
<th></th>
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<td>FRY5</td>
<td>Mayotte</td>
<td>29%</td>
<td>208%</td>
<td>n.a.</td>
<td>n.a.</td>
<td>30.1</td>
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<td>IE04</td>
<td>Northern and Western</td>
<td>38%</td>
<td>175%</td>
<td>150%</td>
<td>119%</td>
<td>25.4</td>
<td>4.8</td>
</tr>
<tr>
<td>FRY3</td>
<td>Guyane</td>
<td>46%</td>
<td>252%</td>
<td>n.a.</td>
<td>n.a.</td>
<td>19.9</td>
<td></td>
</tr>
<tr>
<td>ITF6</td>
<td>Calabria</td>
<td>58%</td>
<td>269%</td>
<td>535%</td>
<td>115%</td>
<td>39.8</td>
<td>21</td>
</tr>
<tr>
<td>ITG1</td>
<td>Sicilia</td>
<td>61%</td>
<td>294%</td>
<td>282%</td>
<td>101%</td>
<td>48.7</td>
<td>20.0</td>
</tr>
<tr>
<td>BE34</td>
<td>Prov. Luxembourg (BE)</td>
<td>61%</td>
<td>235%</td>
<td>151%</td>
<td>156%</td>
<td>n.a.</td>
<td>5.4</td>
</tr>
<tr>
<td>RO21</td>
<td>Nord-Est</td>
<td>63%</td>
<td>147%</td>
<td>284%</td>
<td>124%</td>
<td>47.1</td>
<td>2.1</td>
</tr>
<tr>
<td>BE32</td>
<td>Prov. Hainaut</td>
<td>63%</td>
<td>252%</td>
<td>46%</td>
<td>112%</td>
<td>n.a.</td>
<td>8.6</td>
</tr>
<tr>
<td>ITF3</td>
<td>Campania</td>
<td>63%</td>
<td>288%</td>
<td>108%</td>
<td>131%</td>
<td>49.7</td>
<td>20.0</td>
</tr>
<tr>
<td>HU32</td>
<td>Észak-Alföld</td>
<td>64%</td>
<td>224%</td>
<td>194%</td>
<td>104%</td>
<td>24.2</td>
<td>6.3</td>
</tr>
<tr>
<td>ITF4</td>
<td>Puglia</td>
<td>65%</td>
<td>285%</td>
<td>297%</td>
<td>120%</td>
<td>37.4</td>
<td>14.9</td>
</tr>
<tr>
<td>BG31</td>
<td>Severozapaden</td>
<td>66%</td>
<td>184%</td>
<td>184%</td>
<td>64%</td>
<td>41.2</td>
<td>10.9</td>
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<td>FRY4</td>
<td>La Réunion</td>
<td>67%</td>
<td>191%</td>
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<td>n.a.</td>
<td>n.a.</td>
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<td>Lubelskie</td>
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<td>157%</td>
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<td>n.a.</td>
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<td>Prov. Namur</td>
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<td>258%</td>
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<td>102%</td>
<td>n.a.</td>
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</tr>
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<td>BG32</td>
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<td>193%</td>
<td>75%</td>
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<td>68%</td>
<td>193%</td>
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<td>97%</td>
<td>16.7</td>
<td>3.7</td>
</tr>
<tr>
<td>EL41</td>
<td>Voreio Aigio</td>
<td>68%</td>
<td>254%</td>
<td>646%</td>
<td>158%</td>
<td>35.5</td>
<td>17.7</td>
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<td>DE80</td>
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<td>68%</td>
<td>178%</td>
<td>319%</td>
<td>117%</td>
<td>23.2</td>
<td>4.0</td>
</tr>
<tr>
<td>NL13</td>
<td>Drenthe</td>
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<td>57%</td>
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Regional MW is set at 75.5% of the national MW; the average compensation is calculated as % of the regional MW.
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<td>Swietokrzyskie</td>
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<td>154%</td>
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<td>Molise</td>
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<td>255%</td>
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<tr>
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<td>Dytiki Ellada</td>
<td>73%</td>
<td>226%</td>
<td>296%</td>
<td>112%</td>
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Table 7. NUTS 2 regions with an average wage below 200% of the national MW (in PPS)
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<td>176%</td>
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<td>79%</td>
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<td>Midtjylland</td>
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<td>Vidurio ir vakaru Lietuvos regionas</td>
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Table 8. NUTS 2 regions, where the average wage in NACE sector A: agriculture, forestry and fishery is below the national MW (in PPS)
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Table 9. NUTS 2 regions, where the average wage in NACE sectors G-J Wholesale, retail trade, transport, accommodation and food service activities is below 200% of the MW (in PPS)
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<td>111%</td>
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<td>Região Autónoma da Madeira (PT) 153</td>
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<tr>
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<td>121%</td>
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153 Regional MW is set at 102.5% of the national MW, the average compensation is calculated as % of the regional MW.
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<td>Alentejo</td>
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<td>192%</td>
<td>100%</td>
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<td>BG33</td>
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Table 11. National minimum wages, GDP, regional gross wage and shares of employment in agriculture in border regions between old and new Member States in Central Europe

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<th>NACE_R2 (Codes, Labels)</th>
<th>National MW in EUR/PPS 2020</th>
<th>GDP in PPS in % of national average in PPS 2018</th>
<th>Regional gross wage in % of national, 2017</th>
<th>Share of employment in region in % of national - A Agriculture 2017</th>
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<td>1,584/1,484</td>
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<td>93%</td>
<td>137%</td>
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<td>286%</td>
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Created in 1994, the European Committee of the Regions is the EU’s political assembly of 329 regional and local representatives such as regional presidents or city-mayors from all 27 Member States, representing over 446 million Europeans.